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STATISTICAL BULLETIN

Volume 17, No. 3, March, 1984

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The Conference Board

COMMENT

Business activity was improving quite evenly in January and February; on the surface, it appears that the ongoing expansion is maintaining its strength. Alas, surface appearances can be deceiving. Like the calm waters one encounters just before heading into white-waters rapids, the calm, smooth surface of expansion may be preceding more choppy seas just ahead. The signs of turbulence are not very strong or numerous, but they are there on both sides of the ledger. On the demand side, there are some indications of a slowing in consumer demand. On the supply side, there are some hints that business may be running into problems in keeping production schedules up while keeping production costs down. Having performed their ritual interpretation of the shadows just around the corner, the general view of the *Economic Forecasts* is that real output growth may begin to slow a bit, prices may begin to rise a little faster, and interest rates are likely to go nowhere but up. Buckle up. The sailing could get somewhat bumpy as the economy heads into Spring.

Flushed with some substantial gains in real spending power and very positive attitudes with regard to continued economic expansion, consumers have been quickening demand. The Conference Board's *Consumer Confidence Index* stood at 98.4 (1969-1970 = 100) in January, a five-year high. Personal income, adjusted for inflation, was 2% higher in January than it was three months earlier, but real retail sales rose 4% in this same period. Obviously, consumers resorted to financing for some of the purchases. Households reacted favorably to recent economic reports and generally felt that prospects were for more of the same over the next six months. Therefore, they were willing to spend, even buying on credit. The ratio of *Consumer Installment Debt Expansion to Personal Income* began to rise sharply in October and remained elevated through January.

Car buying accounts for some of this rise in consumer demand. New, domestic *Automobile Sales* were running at about an annualized 6 to 7 million unit rate last Fall (seasonally adjusted). The average selling rate moved up to 7.9 million cars in December and to 8.3 million in January. Further, the foreign share of total new car sales, which had been as high as 30% a year ago, fell back to 25% by January. These numbers suggest a healthier car-buying market than at any time since 1978.

The data on total consumer demand in February are shaded just a bit darker than the almost uniformly rosy picture in January. The advance in real retail sales had been outpacing the rise in spending power and, hence, it is not too disturbing that buying fell a little in February. Domestic *Automobile Sales* dropped back down to a 7.7 million rate in February. At worst, these numbers may merely reflect the beginning of the long-expected easing in the rapid buildup of consumer demand. Households had forgone a lot of buying during the recessions, but some of the resulting pent-up demand has now been satisfied, and consumer buying may begin to rise more in line with the increase in spending power. If real personal income grows something like 3½% in 1984, consumer spending might rise by something like 4½ percent.

Consumer attitudes were a little less ebullient in February. The *Consumer Confidence Index* fell from 98.4 in January to 95.4 in February. The appraisal of current conditions actually improved a bit but appraisals of business conditions, employment and income six months down the road all declined. Thus, even though buying intentions held firm, consumers are beginning to feel just a little uneasy about how long and how strong the current expansion may be.

Although output is still rising, there are some signs that additional increases in production are going to entail some increase in production costs. Industrial production expanded by more than 1% in February, as it had done in 10 of the preceding 13 months. But purchasing agents are reporting slower deliveries. Both employment and capacity utilization have been recovering at a very brisk pace. The relatively inexpensive increases in production that normally occur early in an expansion phase of the business cycle have been largely achieved. In fact, labor productivity rose by less than 1%, at an annual rate, in the fourth quarter of 1983 (see the *Key Determinants of Profit Margins* chart) and probably not much faster than that in the first quarter of 1984. The important consideration here is that a little faster rise in wage compensation and a little slower productivity gain imply somewhat quicker increases in unit labor cost, which will put upward pressure on prices.

A modest quickening in the pace of price increases is rather typical behavior in expansions. In fact, if anything, this expansion has been remarkable in how slowly prices

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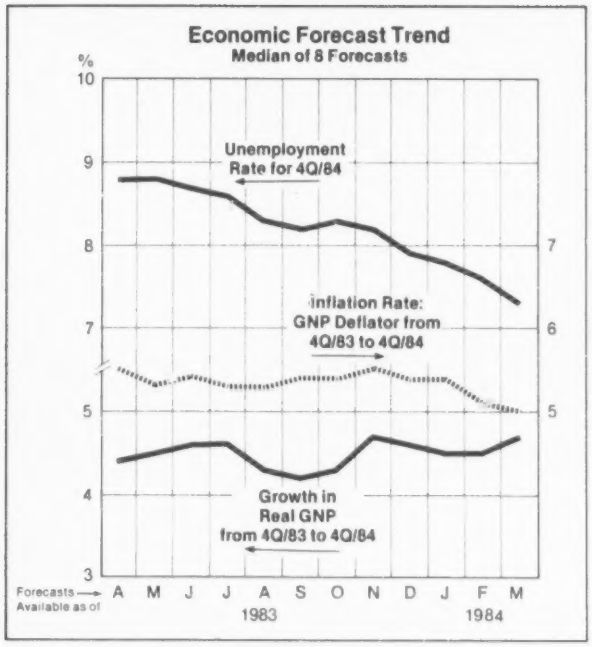


have risen. This expansion has also been remarkable in how high interest rates have remained. Those high rates threaten to limit the further recovery in business investment this year. But, if price increases begin to loom a little larger, monetary authorities will be hard pressed to allow much easing of policy. Actually, the Federal Reserve may once again be in a no-win situation in which interest rates threaten to move higher if money supply growth either speeds up *or* slows down. Faster money growth may fuel inflation expectations and thus heighten the inflation premium in rates. Slower growth, on the other hand, may prove insufficient to fund business and government credit demand. The competition for funds could send interest rates higher.

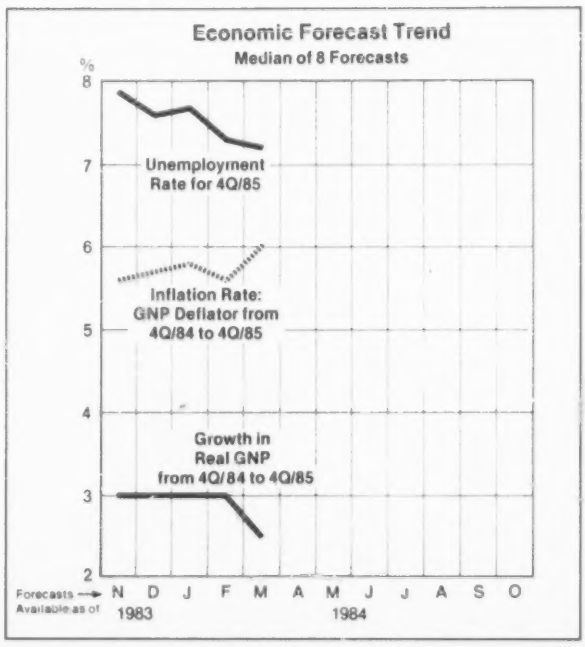
The most intriguing numbers this past month have to do with business intentions to invest. The Conference Board's *Capital Appropriations and Expenditures* survey shows that the nation's 1,000 largest manufacturers still expect to be able to boost investment substantially, despite the high cost of borrowed money. Capital spending was up in the fourth quarter of 1983 but capital appropriations rose faster. Thus, for the third consecutive quarter, the backlog of approved but as yet unspent projects rose substantially. The survey respondents said that they expect to step up investment in new plant and equipment this year by a sizable 23 percent.

The Commerce Department's survey indicated that business in general intends to increase investment by a smaller but still significant 16 percent. Operating rates are already in the 80% range, and the need to expand production capacity is probably outweighing the cost of borrowing money in the minds of some business executives. Intentions are not the same as actions. Nevertheless, these numbers clearly suggest that while high interest rates will hurt investment, capital spending on plant and equipment will continue to recover and thereby keep the expansion going—albeit at a some-what slower pace.

The *Economic Forecasts* indicate that business activity will slow down this Spring, and that it could diminish even further later this year or early next, but that no recession is in sight. The median of the *Economic Forecasts* is for a seasonally adjusted 4½% gain, at an annual rate, in real GNP in the second quarter of 1984. The pace is expected to decline to 3.9% by the fourth quarter of 1984, and to only 2.4% by the third quarter of next year. Further, growth could slow to a rather sluggish 2% pace by the first quarter of 1986 (last quarter in forecast horizon). Obviously, these real growth prospects suggest that the expansion could become too sluggish to allow continued improvement on unemployment by the end of this year. The *Economic Forecasts* indicate that the unemployment rate, at 7.8% in February, may not be any lower than 7.3% by the end of the year, and could remain at that level through most of 1985.

The forecasters remain convinced that inflation is not going to come roaring back. The median forecast for the GNP deflator suggests that inflation may move up to 6% in the forecast horizon, but not beyond. In fact, even the most pessimistic forecast calls for not more than 6½% inflation. Worries about rekindled inflation have been roiling financial markets, but no flashing danger lights have begun to light up on the forecasters' computers.

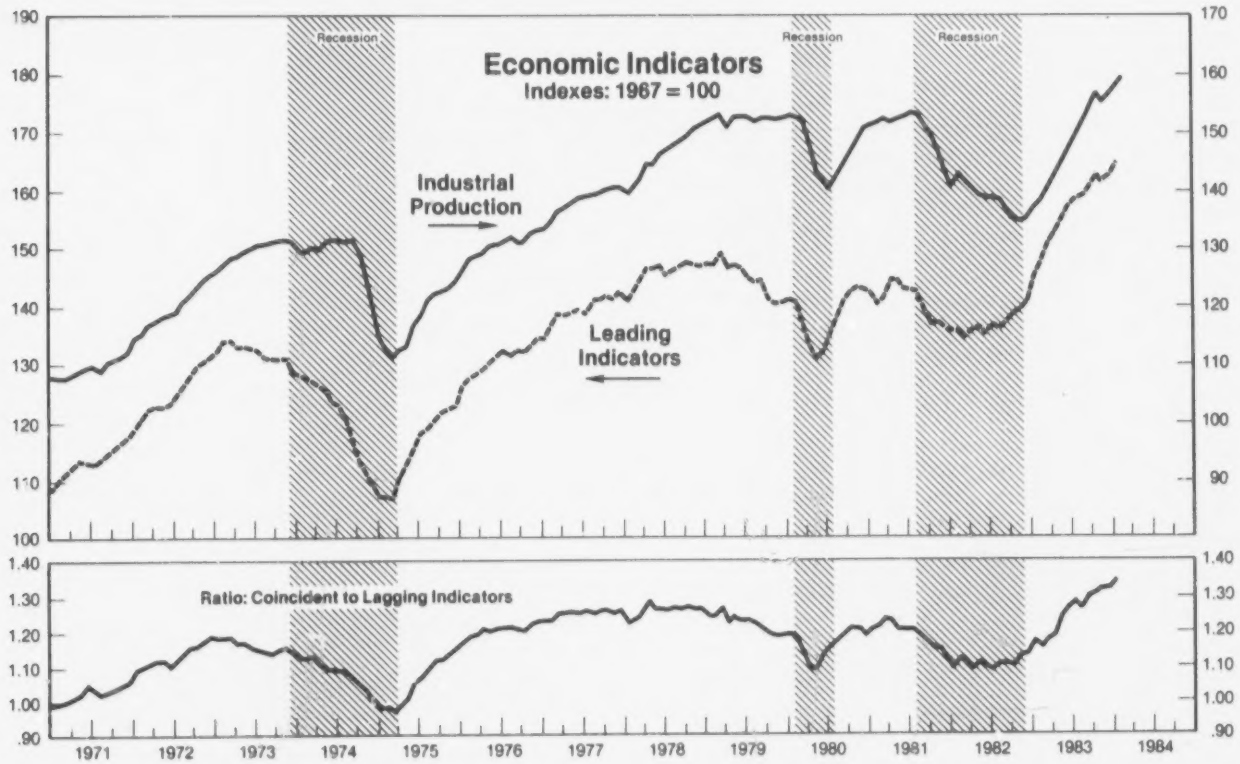
Ken Goldstein
March 14, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan.	X			+ 1.2%	+ 13.4%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.			X	— 5.5%	+ 22.5%
New orders, nondefense capital goods (deflated)	Jan.			X	— 4.9%	+ 21.2%
*New business formation	Jan.			X	— 3.2%	+ 2.5%
*Housing permits	Jan.	X			+11.5%	+ 25.6%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.	X			+ 8.6%	+ 22.8%
*Change in inventory, on hand & order (deflated)	Dec.			X	— 0.9%	+ 37.9%
Purchasing agents' buying policy	Feb.	X			+ 6 %	+ 12 %
*Vendor performance, reported slower deliveries	Feb.	X			+ 9 %	+ 26 %
Industrial raw materials prices	Feb.		X		+ 1.1%	+ 17.3%
*Change in sensitive material prices	Jan.			X	— 0.2%	+ 0.8%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jan.		X		+ 0.6%	+ 5.0%
Change in business loans	Jan.	X			+15.8%	— 17.6%
*Change in credit outstanding	Dec.	X			+12.9%	+ 22.2%
Change in consumer installment debt	Dec.	X			+50.9%	+ 50.3%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			+13.0%	+ 22.3%
*Common stock prices	Feb.			X	— 4.8%	+ 7.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.	X			+ 0.4hr	+ 1.8hr
*Initial unemployment claims (inverted)	Feb.	X			+10.8%	+28.9%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



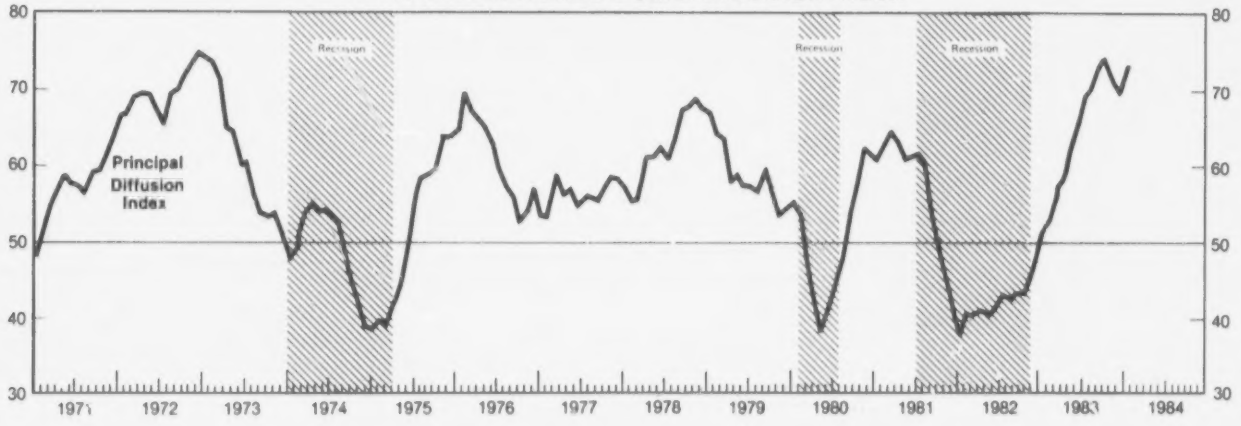
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Jan.	1983 Oct.	1983 Nov.	1983 Dec.	1984 Jan.(e)
Principal Diffusion Index	49.4	73.9r	71.1r	69.5r	73.3
Auxillary Diffusion Index	64.3	52.3r	41.0r	44.7r	62.3
Industrial Group	43.2	79.6r	75.1r	74.4r	78.1
Nonindustrial Group	55.6	68.2	67.2	64.6r	68.5
Sense of Diffusion	0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	37.2	87.6r	75.9r	69.2r	72.9
Labor	41.5	75.8	75.4	76.4r	80.1
Miscellaneous	56.4	76.9	73.1	76.9	80.8
Nonindustrial Subgroups					
Prices	51.3	74.4	70.5	66.7	70.5
Consumer	71.8	73.9	72.6	76.9	76.1
Building	49.4	58.3	65.4	56.4	62.8
Miscellaneous	46.4	65.0	60.7	56.4r	63.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981 May	1981 Aug.	1981 Nov.	1982 Feb.	1982 May	1982 Aug.	1982 Nov.	1983 Feb.	1983 May	1983 Aug.	1983 Nov.
	Score (scale 0-100)										
Measure of Business Confidence	61	57	43	47	52	55	60	70	76	75	74
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	57	48	26	23	30	38	44	65	76	82	80
2. Expectations for Economy, Six Months Ahead	64	63	51	59	64	65	70	76	78	74	73
3. Expectations for Own Industry, Six Months Ahead	61	60	52	58	61	61	65	70	72	69	70

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

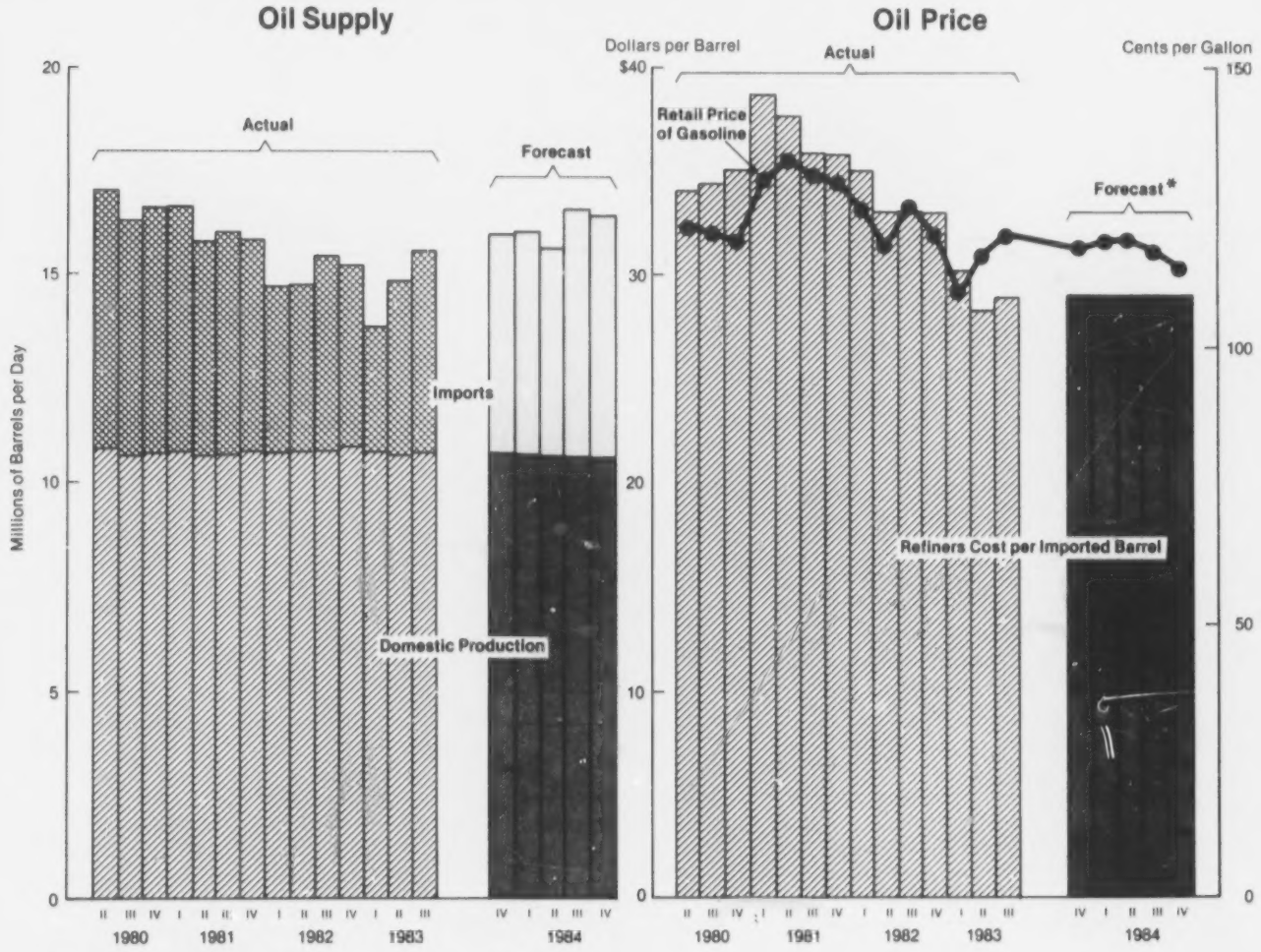
	1982			1983				Percent Change From Previous Year		
	II	III	IV	I	II	IIIr	IVp	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.025	18.439	21.488	20.176	20.633	22.200	25.071	−18	1	21
Capital expenditures	25.552	23.991	22.887	18.841	18.643	18.072	20.331	− 3	−23	23
Change in appropriations backlog*	−7.326	−8.726	−3.395	−0.716	+1.121	+1.008	+1.324			
Durable Goods										
New appropriations	7.398	7.724	8.238	8.197	9.453	8.843	11.447	−24	17	3
Capital expenditures	10.505	9.684	8.949	7.918	7.655	7.594	9.104	− 7	−19	20
Change in appropriations backlog*	−3.903	−4.556	−1.351	−0.606	+1.291	+0.929	+1.249			
Nondurable Goods										
New appropriations	12.627	11.215	13.250	11.979	11.180	13.357	13.624	−14	−9	34
Capital expenditures	15.047	14.307	13.938	10.923	10.988	10.478	11.227	0	−26	25
Change in appropriations backlog*	−3.423	−4.170	−2.044	−0.110	−0.170	+0.079	+0.075			
ELECTRIC & GAS UTILITIES										
New appropriations	8.502	10.603	10.803	6.966	6.312	5.631p				
Capital expenditures	8.835	9.018	9.331	9.032	9.335	9.092p				
Change in appropriations backlog*	−1.772	+0.680	−4.492	−5.709	−6.345	−4.014p				

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

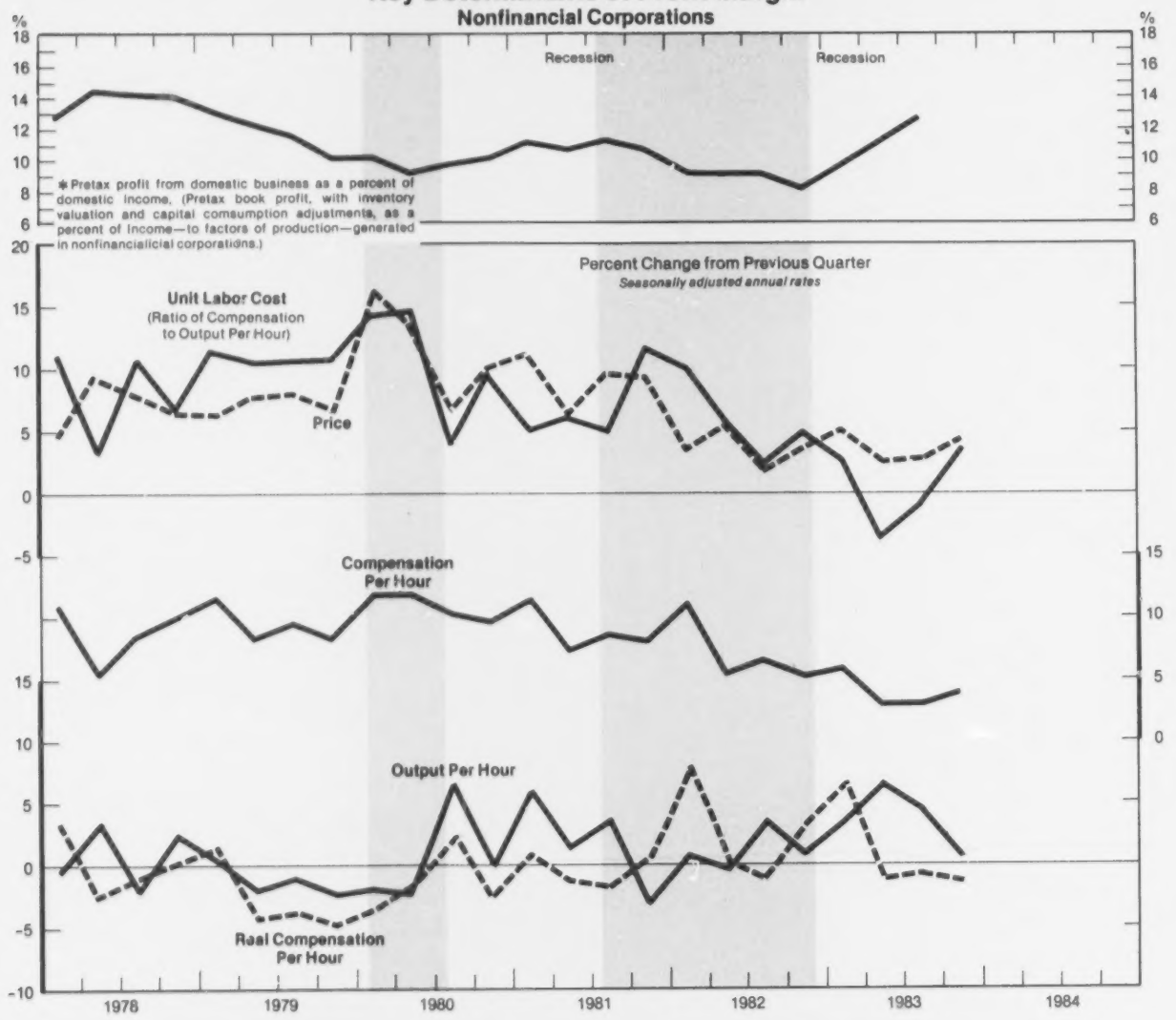
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments)

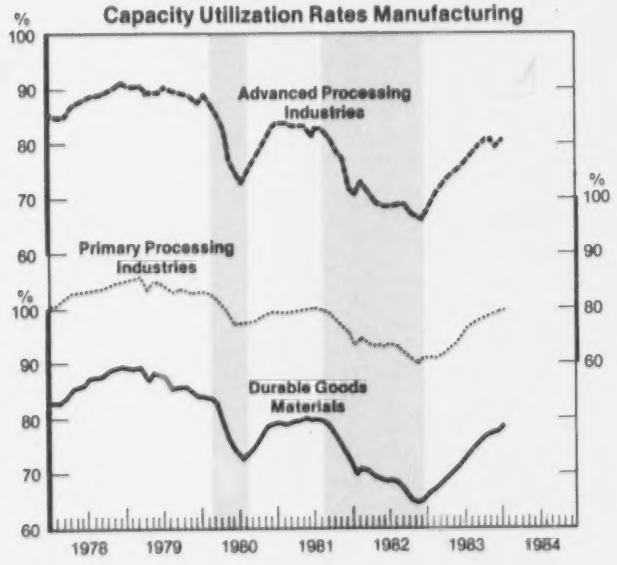
** Results based on survey respondents' expectations.

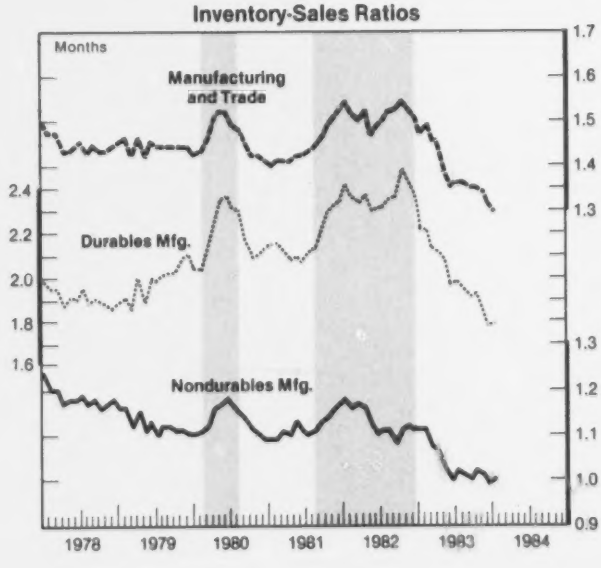


*Source: of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin







ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[1]	
Date of Forecast			*Feb., 1984*		*Feb., 1984*		*Feb., 1984*		*Feb., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**IV**	**$3437.3**	**9.2%**	**$3437.3**	**9.2%**	**$3437.3**	**9.2%**	**$3437.3**	**9.2%**
	1984	I	3539.7	12.5	3528.0	11.0	3522.7	10.3	3538.9	12.4
		II	3621.0	9.5	3606.7	9.2	3594.8	8.4	3611.6	8.5
		III	3710.7	10.3	3707.4	11.6	3681.5	10.0	3683.1	8.2
		IV	3798.5	9.8	3808.0	11.3	3776.2	10.7	3768.6	9.6
	1985	I	3884.3	9.3	3900.3	10.1	3858.2	9.0	3850.5	9.0
		II	3965.4	8.6	3991.2	9.7	3940.9	8.9	3933.2	8.9
		III	4042.9	8.0	4034.6	4.4	4027.0	9.0	4018.5	9.0
		IV	4121.7	8.0	4091.1	5.7	4111.5	8.7	4098.6	8.2
	1986	I	4197.1	7.5						
	1984	Annual	3667.5	10.8	3662.5	10.6	3643.8	10.1	3650.6	10.3
	1985	Annual	4003.6	9.2	4004.3	9.3	3984.4	9.3	3975.2	8.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**IV**	**$1571.9**	**4.8%**	**$1571.9**	**4.8%**	**$1571.9**	**4.8%**	**$1571.9**	**4.8%**
	1984	I	1597.9	6.8	1594.7	5.9	1594.0	5.7	1595.0	6.0
		II	1615.3	4.4	1608.8	3.6	1612.0	4.6	1611.5	4.2
		III	1634.9	4.9	1630.8	5.6	1629.0	4.3	1625.4	3.5
		IV	1652.6	4.4	1651.5	5.2	1649.0	5.0	1640.6	3.8
	1985	I	1664.7	3.0	1665.5	3.4	1663.0	3.4	1654.0	3.3
		II	1676.0	2.7	1676.9	2.8	1677.0	3.4	1664.6	2.6
		III	1685.0	2.2	1670.8	-1.4	1692.0	3.6	1676.2	2.8
		IV	1692.6	1.8	1672.1	0.3	1706.0	3.4	1682.8	1.6
	1986	I	1698.9	1.5						
	1984	Annual	1625.2	5.9	1621.5	5.6	1621.0	5.6	1618.1	5.4
	1985	Annual	1679.6	3.3	1671.3	3.1	1684.5	3.9	1669.4	3.2
Gross National Product deflator Index, 1972 = 100										
Actual	**1983**	**IV**	**218.7**	**4.2%**	**218.7**	**4.2%**	**218.7**	**4.2%**	**218.7**	**4.2%**
	1984	I	221.5	5.3	221.2	4.8	221.0	4.3	221.9	6.0
		II	224.2	4.9	224.2	5.4	223.0	3.7	224.1	4.1
		III	227.0	5.1	227.3	5.7	226.0	5.5	226.6	4.5
		IV	229.8	5.2	230.6	5.8	229.0	5.4	229.7	5.0
	1985	I	233.3	6.2	234.2	6.4	232.0	5.3	232.8	5.5
		II	236.6	5.7	238.0	6.7	235.0	5.3	236.3	6.1
		III	239.9	5.8	241.5	6.0	238.0	5.2	239.7	6.0
		IV	243.5	6.1	244.7	5.4	241.0	5.1	243.6	6.5
	1986	I	247.0	5.9						
	1984	Annual	225.6	4.6	225.8	4.7	224.7	4.2	225.6	4.6
	1985	Annual	238.3	5.6	239.6	6.1	236.5	5.2	238.1	5.6
Unemployment Rate										
Actual	**1983**	**IV**	**8.5%**		**8.5%**		**8.5%**		**8.5%**	
	1984	I	7.8		7.9		8.0		8.0	
		II	7.6		7.8		7.9		7.8	
		III	7.4		7.6		7.8		7.6	
		IV	7.1		7.4		7.7		7.4	
	1985	I	7.1		7.3		7.6		7.2	
		II	7.0		7.3		7.4		7.1	
		III	7.1		7.7		7.3		7.0	
		IV	7.1		8.0		7.1		6.9	
	1986	I	7.3							
	1984	Annual	7.5		7.7		7.9		7.7	
	1985	Annual	7.1		7.6		7.4		7.1	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.
[1]Based on revised fourth quarter data.

ECONOMIC FORECASTS (continued)

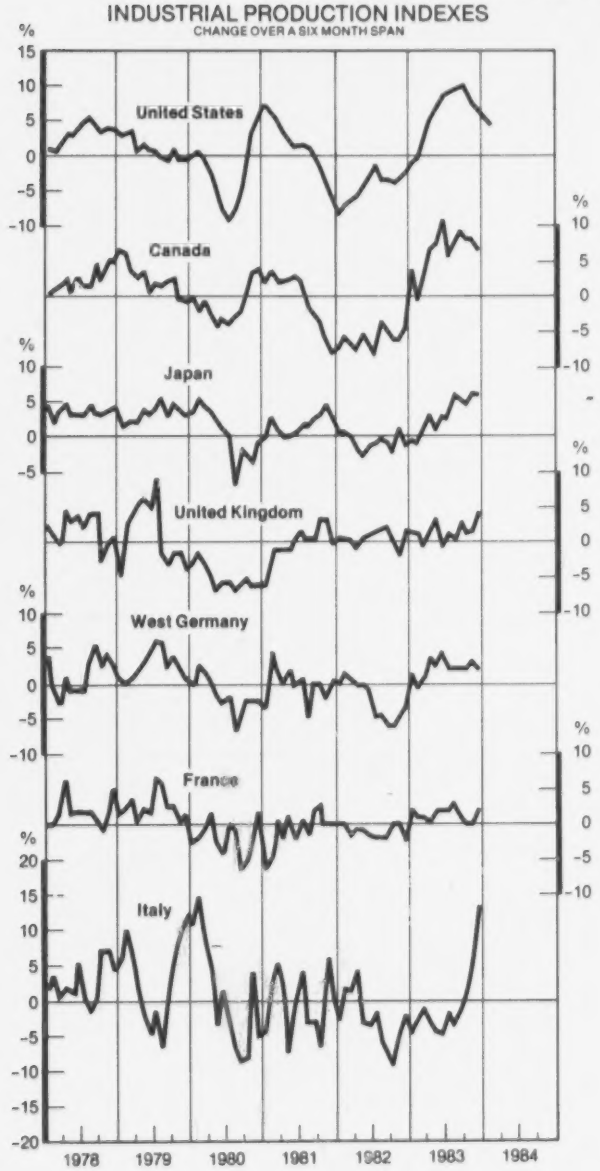
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]		Date of Forecast		
Feb., 1984		Feb., 1984		Feb., 1984		Feb., 1984				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
$3437.3	**9.2%**	**$3437.3**	**9.2%**	**$3437.3**	**9.2%**	**$3437.3**	**9.2%**	**IV**	**1983**	**Actual**
3534.0	11.7	3519.0	9.9	3537.3	12.2	3527.9	11.0	I	1984	
3627.0	10.9	3595.0	8.9	3605.0	7.9	3618.9	10.7	II		
3708.0	9.2	3678.6	9.6	3682.6	8.9	3706.6	10.1	III		
3784.0	8.5	3759.0	9.0	3759.3	8.6	3790.1	9.3	IV		
3860.0	8.3	3840.7	9.0	3830.8	7.8	3877.6	9.6	I	1985	
3916.0	5.9	3911.5	7.6	3898.8	7.3	3951.5	7.8	II		
4000.0	8.9	3984.7	7.7	3969.0	7.4	4031.6	8.4	III		
4107.0	11.1	4064.9	8.3	4047.4	8.1	4101.4	7.1	IV		
		4162.8	10.0	4124.8	7.9	4150.6	4.9	I	1986	
3663.3	10.6	3637.9	9.9	3646.1	10.1	3660.9	10.6	Annual	1984	
3970.8	8.4	3950.5	8.6	3936.5	8.0	3990.5	9.0	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1571.9	**4.8%**	**$1571.9**	**4.8%**	**$1571.9**	**4.8%**	**$1571.9**	**4.8%**	**IV**	**1983**	**Actual**
1597.3	6.6	1593.4	5.6	1597.4	6.6	1594.2	5.8	I	1984	
1617.4	5.1	1611.3	4.6	1610.7	3.4	1617.1	5.9	II		
1627.2	2.4	1627.5	4.1	1628.1	4.4	1635.1	4.5	III		
1635.3	2.0	1641.2	3.4	1644.0	4.0	1649.8	3.6	IV		
1643.5	2.0	1650.7	2.3	1654.6	2.6	1662.4	3.1	I	1985	
1643.5	0.0	1657.1	1.6	1665.5	2.7	1671.0	2.1	II		
1655.7	3.0	1664.5	1.8	1676.6	2.7	1680.0	2.2	III		
1676.5	5.1	1675.1	2.6	1688.3	2.8	1683.3	0.8	IV		
		1686.5	2.8	1698.7	2.5	1675.4	-1.9	I	1986	
1619.3	5.5	1618.3	5.4	1620.1	5.5	1624.1	5.8	Annual	1984	
1654.8	2.2	1661.9	2.7	1671.3	3.2	1674.2	3.1	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
218.7	**4.2%**	**218.7**	**4.2%**	**218.7**	**4.2%**	**218.7**	**4.2%**	**IV**	**1983**	**Actual**
221.2	4.8	220.8	4.0	221.4	5.2	221.3	4.9	I	1984	
224.2	5.5	223.1	4.2	223.8	4.4	223.8	4.6	II		
227.9	6.6	226.0	5.3	226.2	4.3	226.7	5.3	III		
231.4	6.3	229.0	5.4	228.7	4.5	229.7	5.5	IV		
234.9	6.1	232.7	6.5	231.5	5.1	233.3	6.3	I	1985	
238.3	5.9	236.0	5.9	234.1	4.5	236.5	5.6	II		
241.6	5.7	239.4	5.8	236.7	4.6	240.0	6.1	III		
245.0	5.7	242.7	5.6	239.7	5.2	243.7	6.3	IV		
		246.8	7.0	242.8	5.3	247.7	6.9	I	1986	
226.2	4.9	224.8	4.2	225.0	4.4	225.4	4.5	Annual	1984	
239.9	6.1	237.7	5.8	235.5	4.7	238.3	5.8	Annual	1985	
								Unemployment Rate		
8.5%		**8.5%**		**8.5%**		**8.5%**		**IV**	**1983**	**Actual**
7.8		7.8		7.8		7.9		I	1984	
7.4		7.5		7.7		7.7		II		
7.3		7.4		7.5		7.6		III		
7.3		7.3		7.3		7.3		IV		
7.3		7.4		7.3		7.2		I	1985	
7.5		7.5		7.3		7.3		II		
7.4		7.7		7.3		7.3		III		
7.1		7.9		7.3		7.4		IV		
		7.8		7.4		7.5		I	1986	
7.5		7.5		7.6		7.6		Annual	1984	
7.3		7.6		7.3		7.3		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

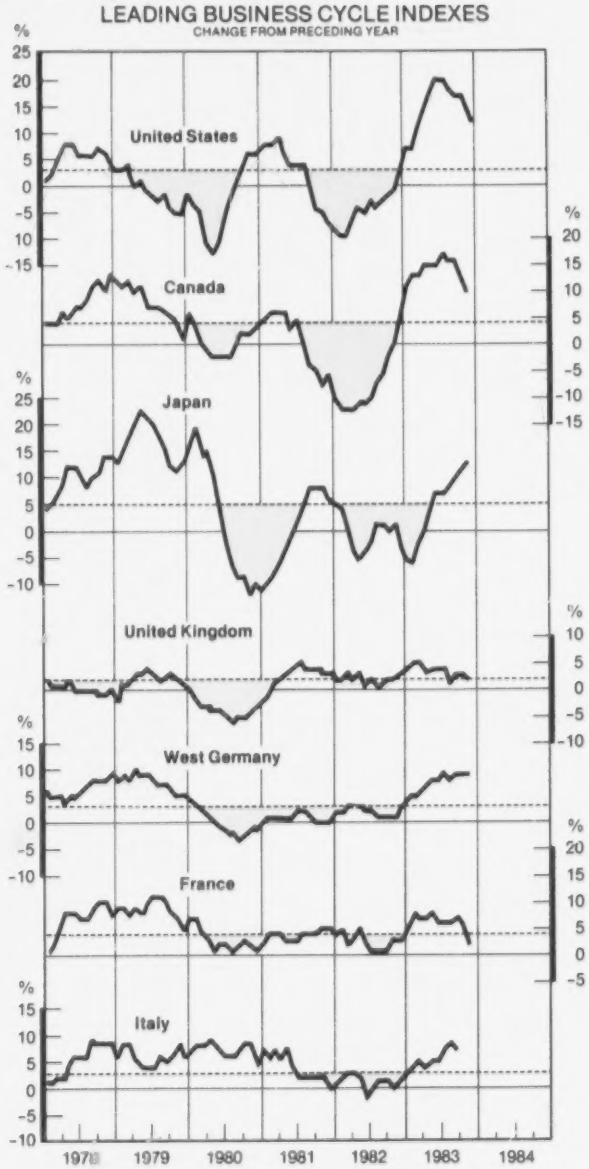
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

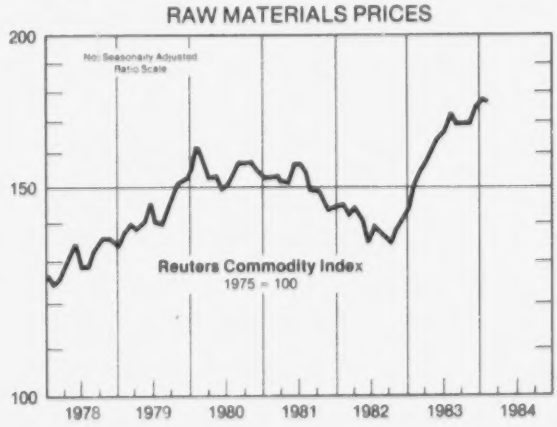
CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

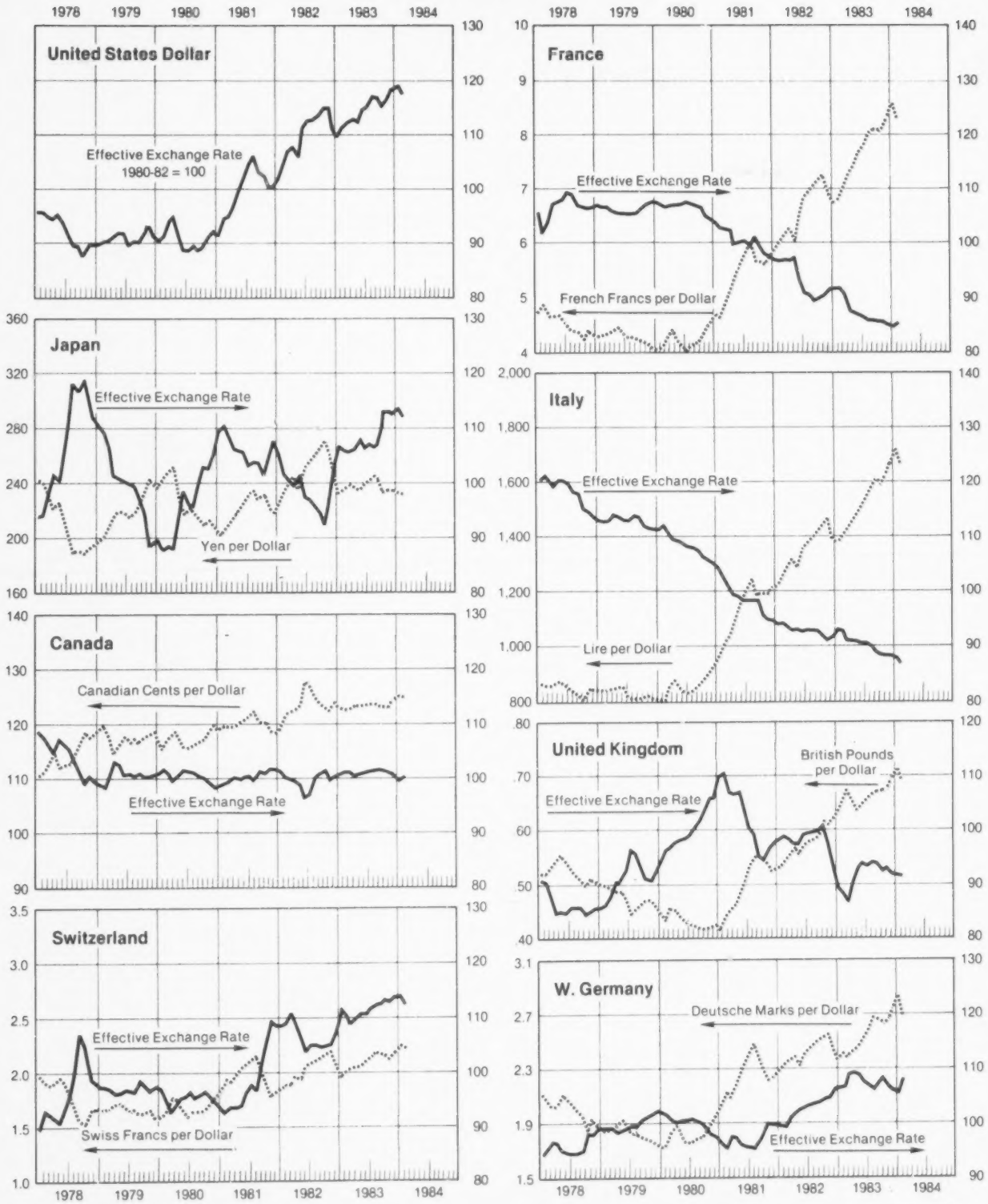
MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



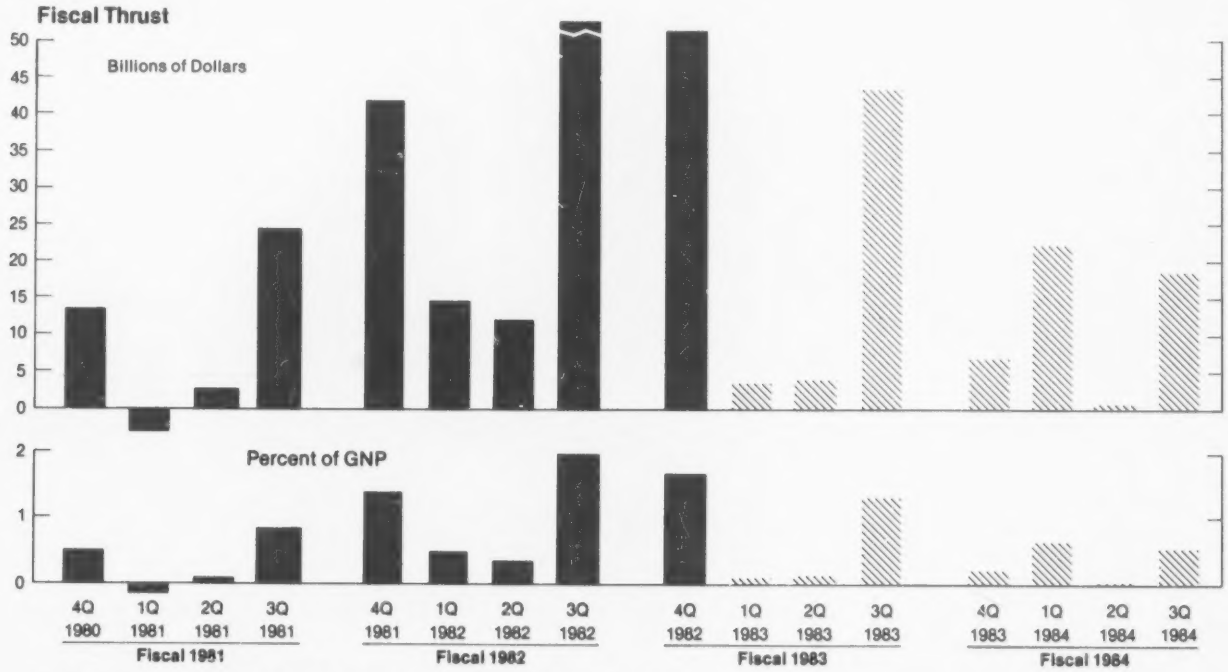
Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

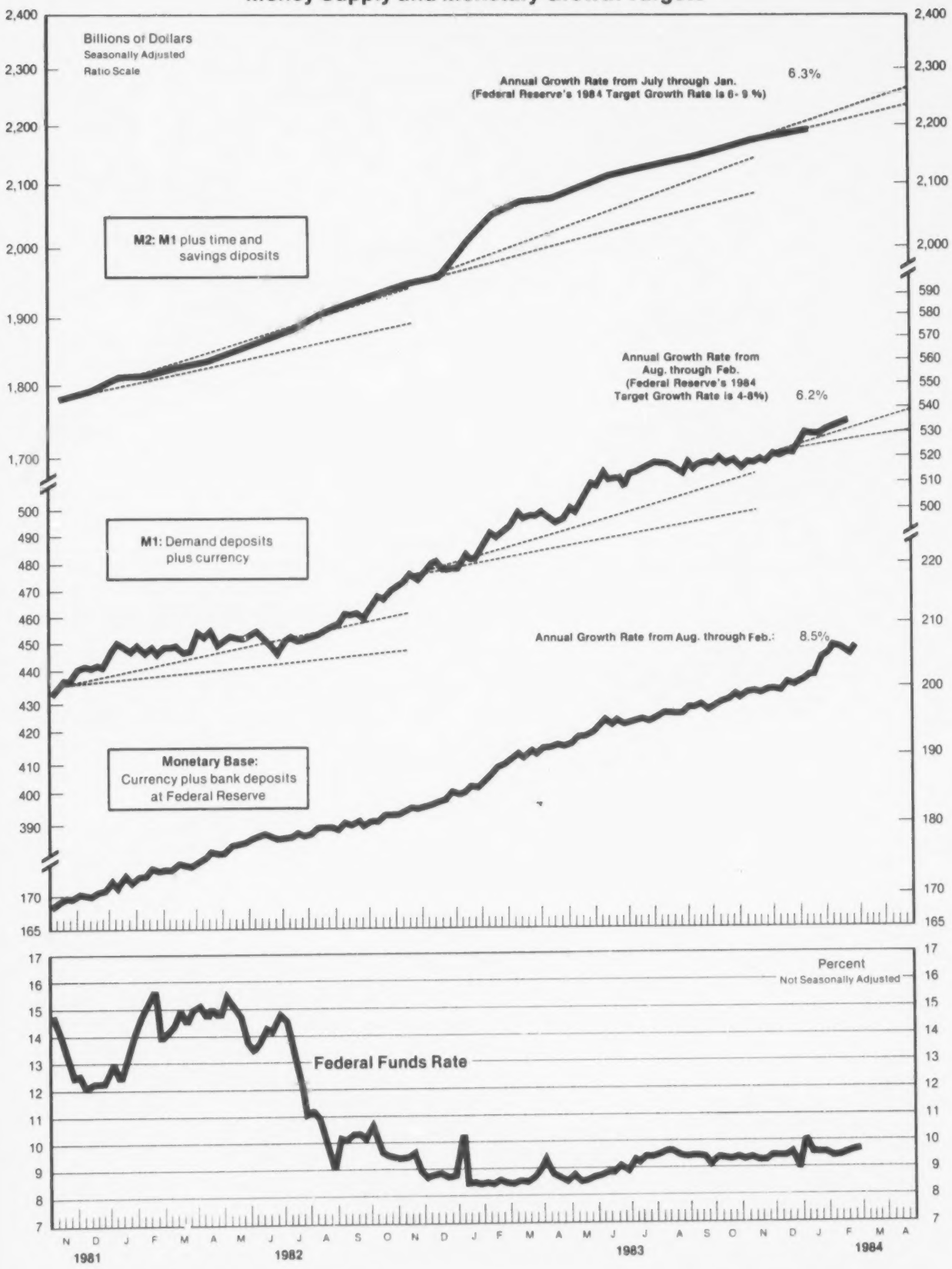
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual (2/1/84)	President's Proposal (2/1/84)	Congressional Estimate (2/7/84)	Current Service (2/1/84)	President's Proposal (2/1/84)	Congressional Estimate (2/7/84)
Receipts	**600.6**	**670.1**	**663**	**737.3**	**745.1**	**734**
Outlays	**796.0**	**853.8**	**853**	**944.9**	**925.5**	**927**
Deficit	**-195.0**	**-183.7**	**-190**	**-207.7**	**-180.4**	**-193**
Receipts by source	**600.6**	**670.1**	**663**	**737.3**	**745.1**	**734**
Individual income taxes	288.9	293.3	294	323.4	328.4	329
Corporate income taxes	37.0	66.6	62	75.5	76.5	65
Social insurance	209.0	239.5	237	269.0	270.7	269
Other receipts	65.7	70.7	70	69.4	69.5	71
Outlays by function	**796.0**	**853.8**	**835**	**944.9**	**925.5**	**927**
National defense	209.9	237.5	235	284.2	272.0	263
Social security and medicare	223.3	240.2	241	261.4	260.3	260
Income security	122.2	112.5	97	116.9	114.4	115
Health	28.7	30.7	31	34.4	32.9	34
Education and manpower	26.6	28.7	28	29.0	27.9	29
Transportation	21.4	26.1	27	27.4	27.1	27
Veterans' benefits	24.8	25.8	26	26.6	26.7	26
International affairs	9.0	13.5	11	14.1	17.5	12
National resources and environment	12.7	12.3	12	11.8	11.3	12
Agriculture	22.2	10.7	10	14.3	14.3	12
General science	7.7	8.3	8	8.4	8.8	9
Community development	6.9	7.6	8	7.7	7.6	8
Revenue sharing	6.5	6.7	7	6.8	6.7	7
General government	4.8	5.7	6	5.7	5.7	6
Justice	5.1	6.0	6	6.2	6.1	6
Energy	4.0	3.5	3	3.4	3.1	4
Commerce and housing credit	4.4	3,8	4	1.6	1.1	3
Interest	89.8	108.2	108	117.9	116.1	127
Allowances			1	1.5	0.9	1
Undistributed offsetting receipts	-34.0	-34.0	-16	-34.6	-35.3	-34

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Annual Growth Rate from July through Jan. 6.3%
(Federal Reserve's 1984 Target Growth Rate is 6- 9 %)
M2: M1 plus time and savings diposits
Annual Growth Rate from Aug. through Feb. (Federal Reserve's 1984 Target Growth Rate is 4-8%) 6.2%
M1: Demand deposits plus currency
Annual Growth Rate from Aug. through Feb.: 8.5%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
1981
1982
1983
1984

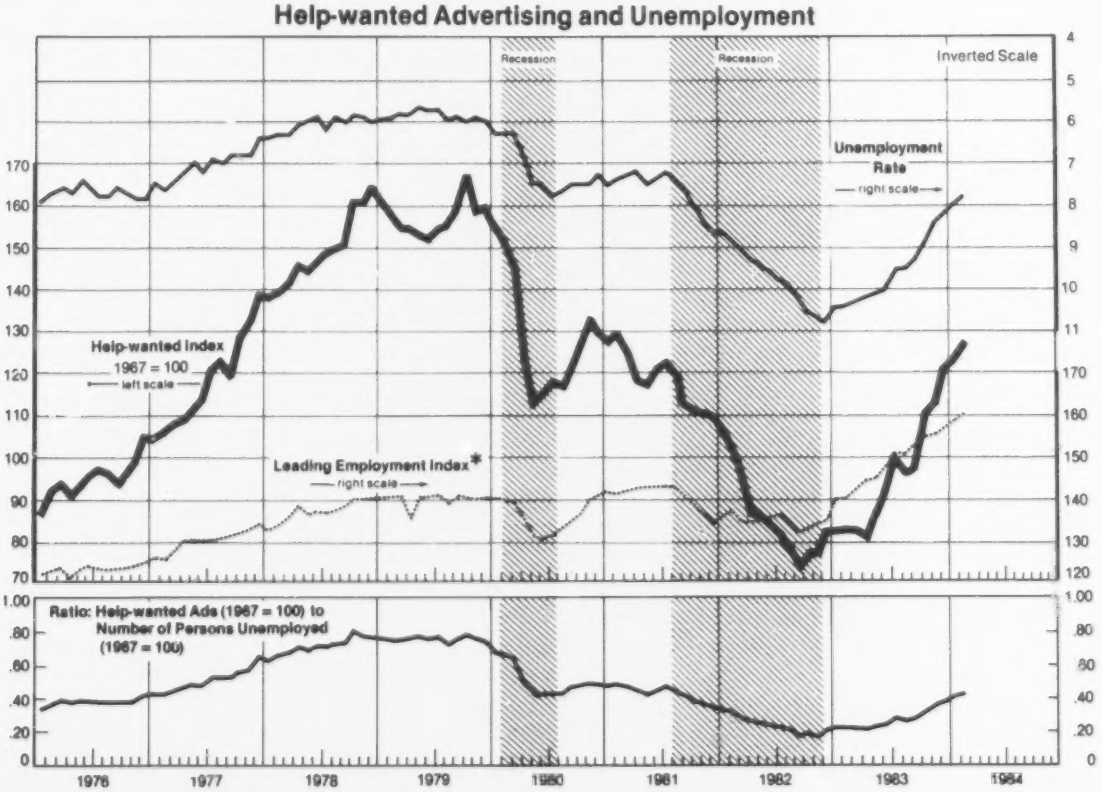
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984	1983		
	Jan.	Dec.	Nov.	Jan.
Total Index 51 papers	123	121	114	83
New England	132	130	121	84
Boston	145	144	136	92
Hartford	125	119	112	88
Providence	94	92	75	52
Middle Atlantic	57	58	53	43
Albany	119	111	100	78
Allentown	151	119	116	112
New York	48	52	49	37
Philadelphia	51	52	48	39
Pittsburgh	55	53	44	48
Rochester	67	65	58	48
Syracuse	82	90	80	62
East North Central	70	74	65	44
Chicago	81	89	80	39
Cincinnati	86	88	77	66
Cleveland	50	51	44	36
Columbus	103	98	85	75
Dayton	55	53	50	45
Detroit	50	53	42	36
Gary	95	110	100	90
Indianapolis	68	69	73	46
Milwaukee	51	51	47	33
Toledo	92	85	76	65
West North Central	76	70	63	47
Kansas City	98	99	82	65
Minneapolis	73	63	57	35
Omaha	114	103	95	85
St. Louis	55	50	49	37
South Atlantic	145	137	130	96
Atlanta	270	248	229	147
Baltimore	88	76	100	73
Charlotte	129	123	107	82
Jacksonville	166	176	162	128
Miami	83	79	79	64
Richmond	82	77	68	59
Washington, D.C.	147	144	127	99
East South Central	122	114	103	86
Birmingham	127	121	109	90
Knoxville	170	182	158	125
Louisville	69	63	55	47
Memphis	102	97	95	74
Nashville	176	149	132	122
West South Central	278	280	262	205
Dallas	386	395	373	251
Houston	358	363	344	274
New Orleans	127	128	107	116
Oklahoma City	156	157	141	123
San Antonio	186	159	161	138
Tulsa	143	153	129	120
Mountain	276	288	276	163
Denver	185	199	197	133
Phoenix	374	395	384	191
Salt Lake City	317	309	276	183
Pacific	181	170	170	120
Los Angeles	147	132	130	95
Sacramento	306	294	274	218
San Bernardino	165	123	138	101
San Diego	360	333	334	263
San Francisco	170	181	193	113
Seattle	182	179	171	139
Percentage of papers with rising volume	59%	86%	63%	51%
Unemployment rate	8.0%	8.2r%	8.4%	10.4%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4r	95.4p										

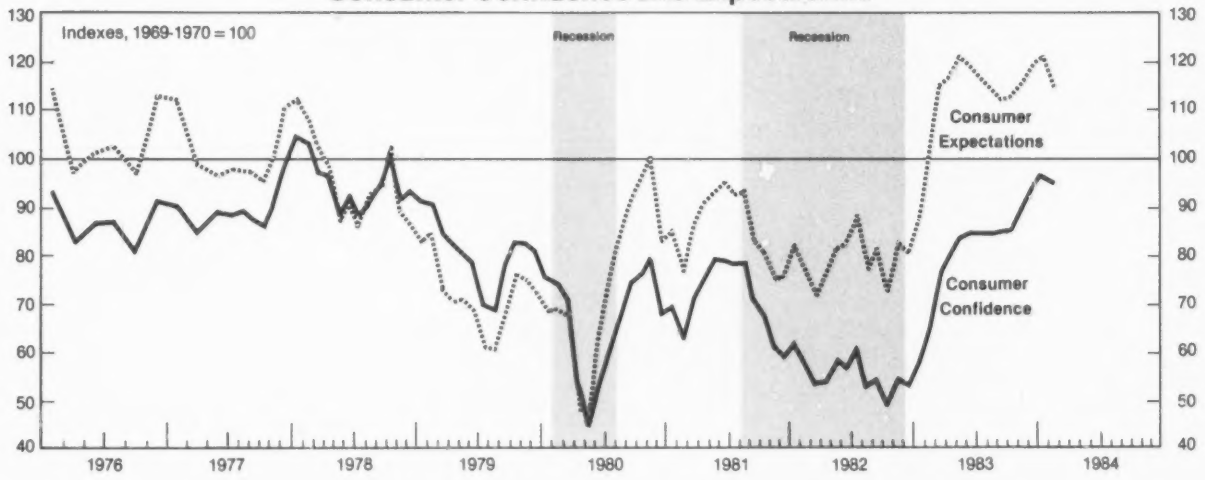
Buying Plans Index

1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4r	107.0p										

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

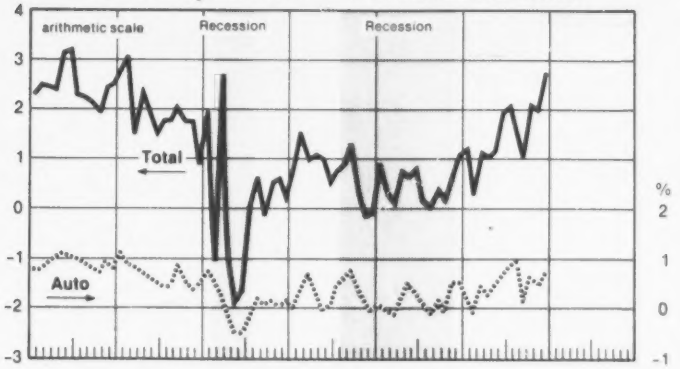
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

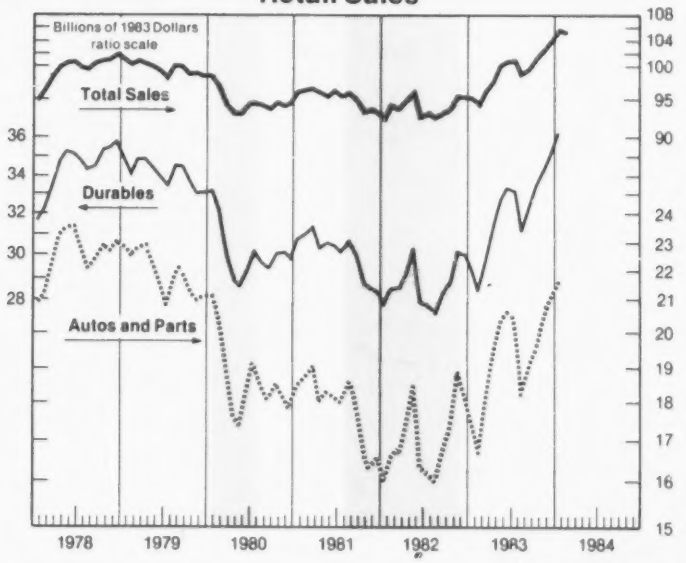
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



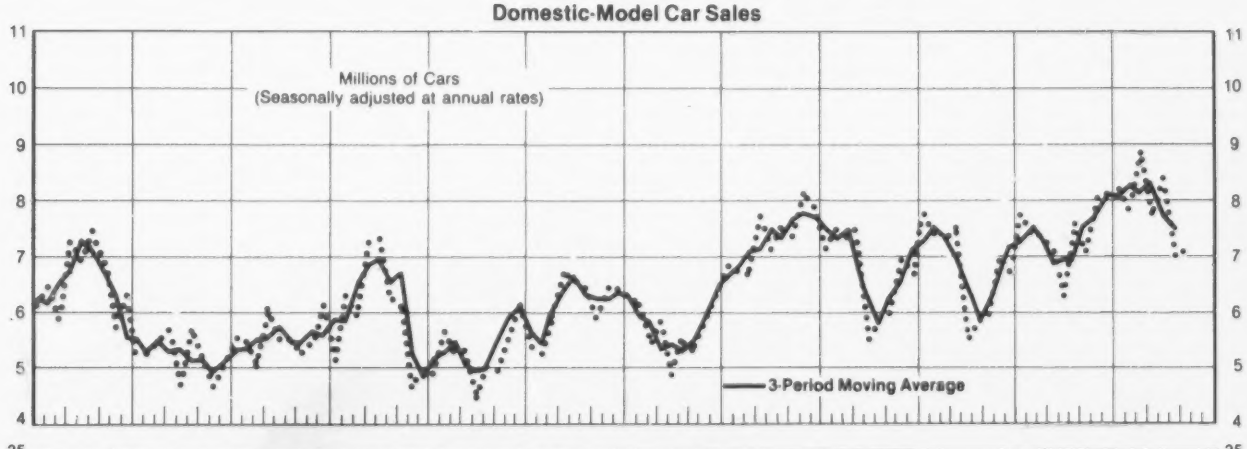
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

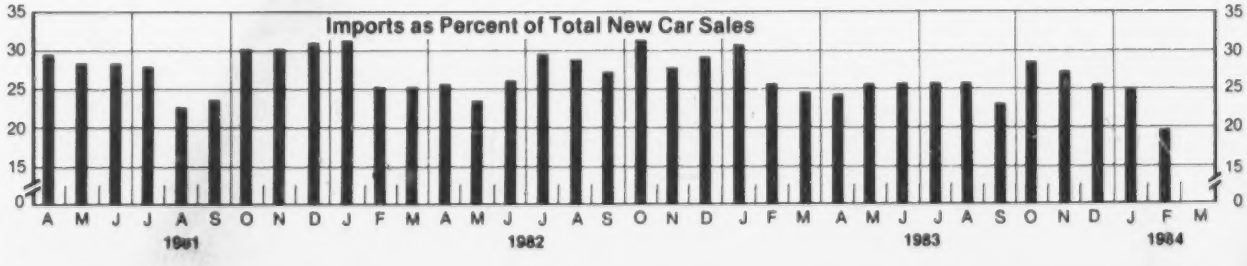
Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	
	21-31	5.05	6.19	6.21	
April:	1-10	6.24	5.16	6.82	
	11-20	6.00	6.36	6.76	
	21-30	6.40	5.94	6.71	
May:	1-10	6.13	7.30	7.72	
	11-20	6.52	7.34	7.07	
	21-31	5.94	6.25	7.55	
June:	1-10	6.09	6.10	7.34	
	11-20	5.99	4.68	8.12	
	21-30	6.06	4.94	7.88	
July:	1-10	6.09	4.92	7.16	
	11-20	6.47	5.61	7.42	
	21-31	5.89	5.30	7.37	
August:	1-10	7.31	5.35	7.51	
	11-20	6.98	4.52	5.53	
	21-31	7.49	5.05	5.88	
September:	1-10	6.88	4.93	5.98	
	11-20	5.73	6.54	6.99	
	21-30	6.36	6.19	6.64	
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales



R4105 - 3A

STATISTICAL BULLETIN

Volume 17, No. 4, April, 1984

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The Conference Board

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STATISTICAL REFERENCE INDEX
ACQUISITIONS
4520 EAST WEST HIGHWAY - SUITE 800
BETHESDA, MD 20814

COMMENT

Good times don't last forever. And the economy certainly has enjoyed a very good time for the last year and a half. Real GNP expanded by an average annual rate of 6.2% from the fourth quarter of 1982 to the first quarter of 1984; industrial production has been rising by a little more than 1% per month, on average, since November, 1982; unemployment dropped from 10.7% to 7.8%; housing starts jumped by over a million units, at an annual rate, and car sales came back strong. There is widespread agreement among economy watchers that business will continue to grow in 1984 and 1985, but the expectation is that the rate of improvement over the next year and a half will pale by comparison with the accomplishments listed above. Real GNP is expected to grow by about a 3% annual rate or less from mid-1984 to the fourth quarter of 1985; industrial production may rise by about 0.7% per month; the unemployment rate may improve to about 7%, perhaps even less; but housing starts and auto sales may not be much higher by the end of 1985 than they are currently.

The slowing in the rate of economic progress can be attributed to a maturing of the expansion and to a shift toward a less stimulative monetary and fiscal policy. We have said all along that 1984 would be the year in which a consumer-led recovery gave way to an investment-sustained expansion. Consumer spending, which accounts for approximately two-thirds of total economic demand, rebounded very sharply in 1983 and in the early months of 1984 as households went out and purchased the furniture, appliances, cars and homes that they had put off buying during the recessions. A good portion of that pent-up demand has now been released and, consequently, consumer buying can be expected to slow to a more sustainable pace. Business investment in new plant and equipment, on the other hand, only began to recover in the fourth quarter of 1983, and can be expected to rebound at a very sharp pace in 1984. Thus, business cycle expansion is moving to a more mature stage in which overall growth is slower and the sector of greatest strength is business investment, not consumer spending.

The anticipated slowing of overall economic growth, however, is more pronounced than can be attributed solely to the maturing of the business cycle. Changes in economic policy are expected to accentuate the slowdown of economic growth. The point is that the very policy mix that gave so much momentum to the economic system late in 1982 and in 1983 can only cause problems for the system in 1984. A year and a half ago, both consumer spending and business investment were very weak; a large part of productive capacity was idle; and many workers were laid off. Whether by design or not, the Federal government was spending a lot more than it was taking in, and was running very large budget deficits. In almost classical Keynesian fashion, the government-generated demand put some of the idled capital and labor resources back to work. The series of tax cuts bolstered, in succession, consumer buying and business investment. An accommodative rate of money-supply growth and some declines in interest rates allowed the momentum generated by this stimulus to diffuse through the system. The result was the good times described above.

Federal spending continues to outpace revenue. Both the Administration's and congressional estimates, calculated in February, show a deficit of between $180 and $190 billion in the current fiscal year and fiscal 1985. Thus, economic expansion is not reducing the deficit at all. In fact, the data on the *Perspective on the Federal Budget* table indicate that some hard decisions had to be made just to keep the deficit from rising. The current services deficit for fiscal 1985 was estimated to be $208 billion. That figure indicates where the deficit would go if no program changes at all were effected.

Budget deficits of the size now being experienced and anticipated for the next fiscal year show that the economy is still receiving strong fiscal stimulus. Until very recently, money growth was accommodating this high degree of stimulus. The problem, however, is that after a year and a half of economic expansion there is a much narrower margin of idle resources that can be profitably deployed to produce output. Indeed, the situation has reversed. At the end of 1982, the problem was how to stimulate demand; in early 1984, demand threatens to exceed supply. Too much demand and not enough supply is the classical hothouse atmosphere that serves as the optimum breeding ground of a new round of inflation. A corrective change in the policy mix is needed to avert an erosion of the very costly victory over inflation.

The Federal Reserve has apparently begun efforts to rein in money-supply growth. The data on the *Money Supply and Monetary Growth Targets* chart show that both the monetary base (currency plus bank deposits at the Federal Reserve) and M1 (currency plus demand deposits) rose less rapidly in March than in previous months. The effect on short-term interest rates has been

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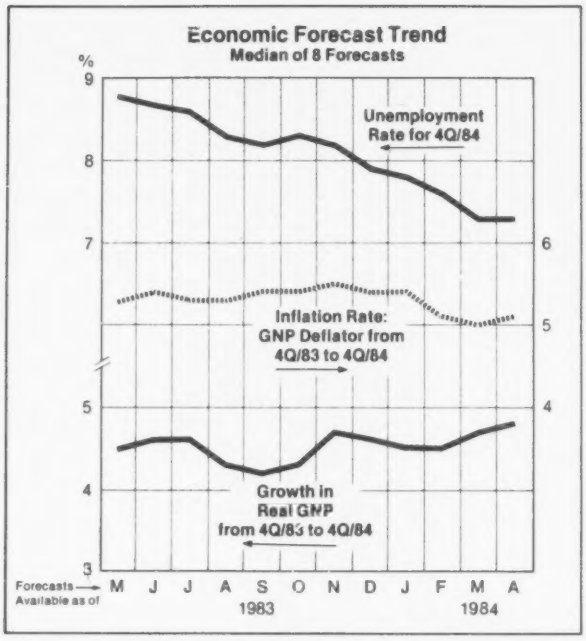


swift and dramatic. The Federal funds rate—the rate at which banks borrow from other banks—had been in a range of 9½% to 10% from last July through February, and closer to the bottom of that range throughout much of this time. In March, however, the Federal funds rate began moving toward the upper limit of that range. The prime interest rate is a full point higher now than it was only a short time ago.

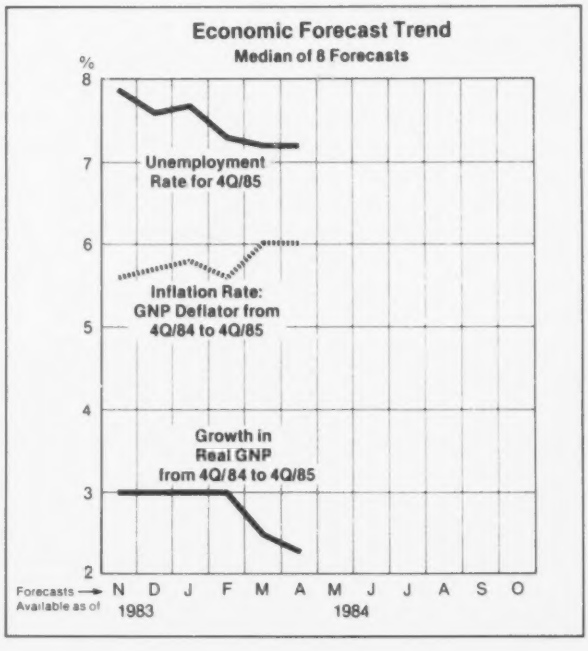
It is a fairly safe bet that we have not seen the last of hikes in short-term interest rates. Financial analysts generally assume that the prime may rise to 12½% or even 13½% over the next year, and a few would argue that even steeper hikes are possible. Moreover, the Federal Reserve is very likely to keep a restrictive hand on the money pump. This turn in monetary policy is necessary because action on the fiscal side is more likely to be delayed until after the elections . And, unlike the last few years, there will be no tax cut this July. Economic policy in general, then, is becoming more restrictive and that will accentuate the slowing of economic expansion. As the rise in short-term rates diffuses to consumer borrowing rates, spending on furniture, appliances and cars will decline. Variable-rate mortgages make the housing market more sensitive to short-term fluctuations in rates than it has been in the past. The effect will not be immediate or dramatic, but it will be noticeable.

Business investment will not grind to a halt because borrowing rates have gone up. In fact, responses to The Conference Board's *Capital Appropriations and Expenditures* survey of the nation's 1,000 largest manufacturers, taken in the fourth quarter of 1983, showed that industry executives fully expected to be able to boost capital spending even though higher rates were on the horizon. Economic expansion has regenerated corporate cash flow. The executives said that they expect to invest about 23% more in new plant and equipment in 1984 than they did in 1983, and that 80% to 90% of this investment would be financed internally. A less accommodative economic policy, then, is not going to cripple the recovery in investment—but is likely to limit its extent.

The median of the *Economic Forecasts* indicates that real GNP probably grew at a seasonally adjusted 7.2% annual rate in the first quarter of 1984, or by about as much as indicated in the Commerce Department's flash report. The median forecast of real output growth slows to a still very strong 4.6% in the second quarter as the effects of tighter money growth and higher interest rates begin to spread, and as consumer spending begins to moderate. Growth continues to subside in the last half of this year. But with expectations of a 4.2% rate in the third quarter and 3.6% in the fourth quarter, a considerable economic expansion persists through the end of this year. The *Economic Forecasts,* however, are pointing to a rather anemic expansion in 1985. The median growth rate weakens to 3% in the first quarter of 1985 and slides to a sluggish 2½% or less from the second quarter of 1985 through the forecast horizon (first quarter of 1986).

The *Economic Forecasts* are betting that a turn to a more restrictive policy will avert a resurgence in inflation, at least through the forecast horizon. The median of the forecasts indicates that inflation will hit 5% by the second quarter of 1985 and then inch toward 6%, but not beyond, by the end of 1985.

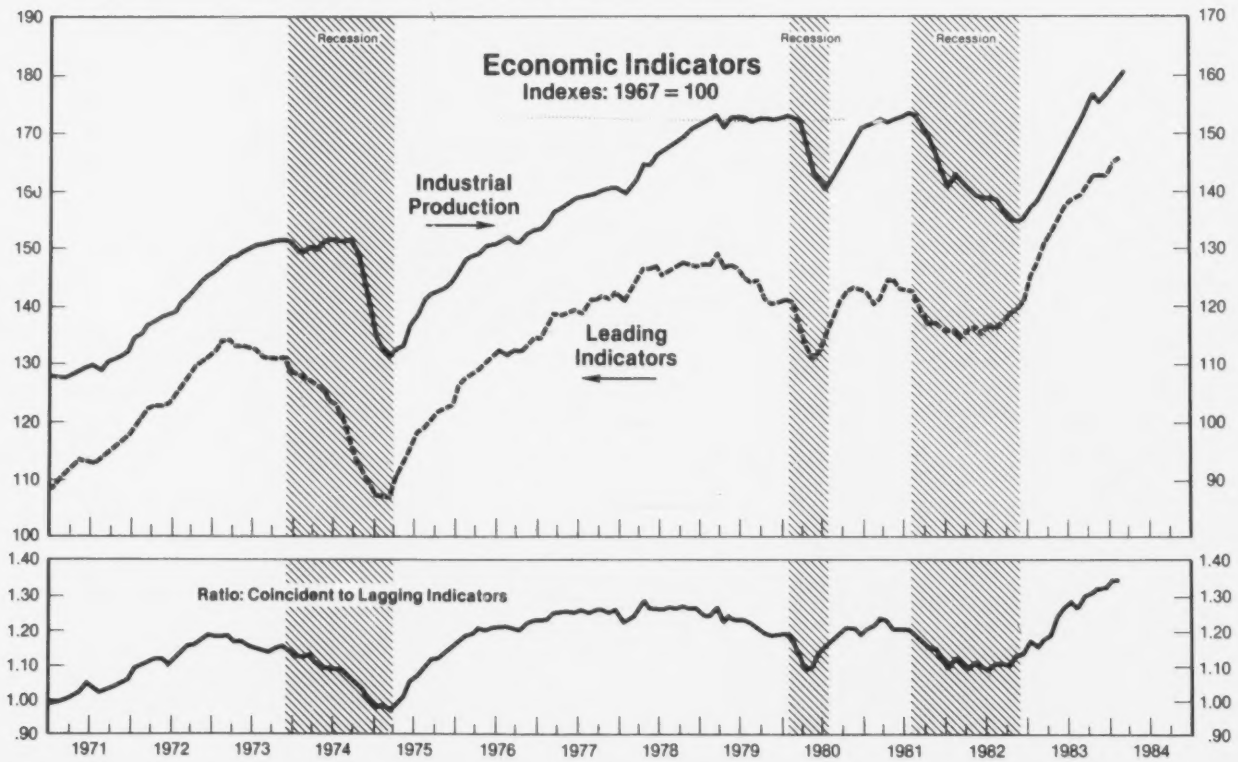
Ken Goldstein
April 11, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Feb.	X			+ 1.9%	+ 12.6%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Feb.		X		— 5.3%	+ 26.2%
New orders, nondefense capital goods (deflated)	Feb.	X			+ 8.3%	+ 37.7%
*New business formation	Feb.		X		— 0.	+ 4.0%
*Housing permits	Feb.	X			+ 18.6%	+ 31.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Feb.		X		+ 2.2%	+ 18.4%
*Change in inventory, on hand & order (deflated)	Jan.		X		— 4.8%	+ 42.5%
Purchasing agents' buying policy	Mar.		X		+ 4 %	+ 9 %
*Vendor performance, reported slower deliveries	Feb.	X			+ 9 %	+ 26 %
Industrial raw materials prices	Mar.	X			+ 2.1%	+ 15.9%
*Change in sensitive material prices	Feb.			X	— 0.5%	— 0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Mar.	X			+ 0.2%	+ 2.9%
Change in business loans	Feb.		X		+ 6.0%	+ 20.8%
*Change in credit outstanding	Jan.	X			+ 7.1%	+ 9.2%
Change in consumer installment debt	Jan.		X		— 6.5%	+ 19.4%
Profitability						
Total corporate profits, after tax (deflated)	4th Q			X	— 1.5%	+ 24.5%
*Common stock prices	Mar.			X	— 4.7%	+ 3.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Mar.		X		+ 0.5hr	+ 0.5hr
*Initial unemployment claims (inverted)	Mar.	X			+ 6.6%	+ 23.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



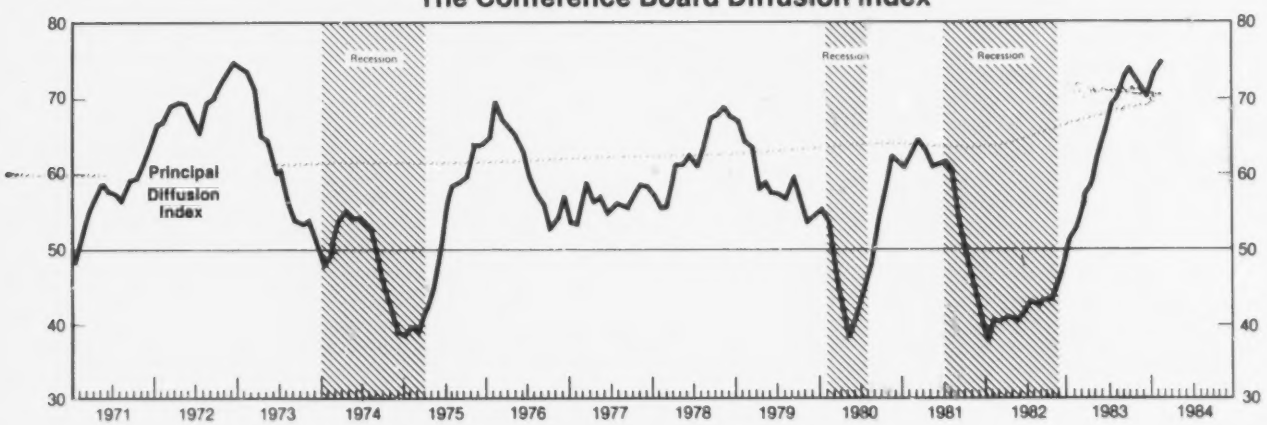
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Feb.	1983 Nov.	1983 Dec.	1984 Jan.	1984 Feb.(e)
Principal Diffusion Index	51.0r	71.9r	70.2r	73.1r	74.6
Auxillary Diffusion Index	55.1	40.8r	44.5r	59.4r	55.1
Industrial Group	45.6	78.0r	77.1r	80.5r	83.0
Nonindustrial Group	56.4r	65.8r	63.3r	65.6r	66.3
Sense of Diffusion	0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	46.6	75.9	69.2	72.9	76.1
Labor	44.1	81.3r	81.8r	85.0r	86.5
Miscellaneous	48.1	73.1	76.9	80.8	84.6
Nonindustrial Subgroups					
Prices	59.6	70.5	66.7	70.5	59.0
Consumer	61.5r	73.1r	77.4r	76.1r	80.3
Building	49.4	65.4	56.4	62.8	69.2
Miscellaneous	53.8	55.6r	51.7r	53.8r	55.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1981 Aug.	1981 Nov.	1982 Feb.	1982 May	1982 Aug.	1982 Nov.	1983 Feb.	1983 May	1983 Aug.	1983 Nov.	1984 Feb.
	Score (scale 0-100)										
Measure of Business Confidence	57	43	47	52	55	60	70	76	75	74	70
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	26	23	30	38	44	65	76	82	80	76
2. Expectations for Economy, Six Months Ahead	63	51	59	64	65	70	76	78	74	73	67
Expectations for Own Industry, Six Months Ahead	60	52	58	61	61	65	70	72	69	70	70

The Measure of Business Confidence is the average of the scores for the three primary questins in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

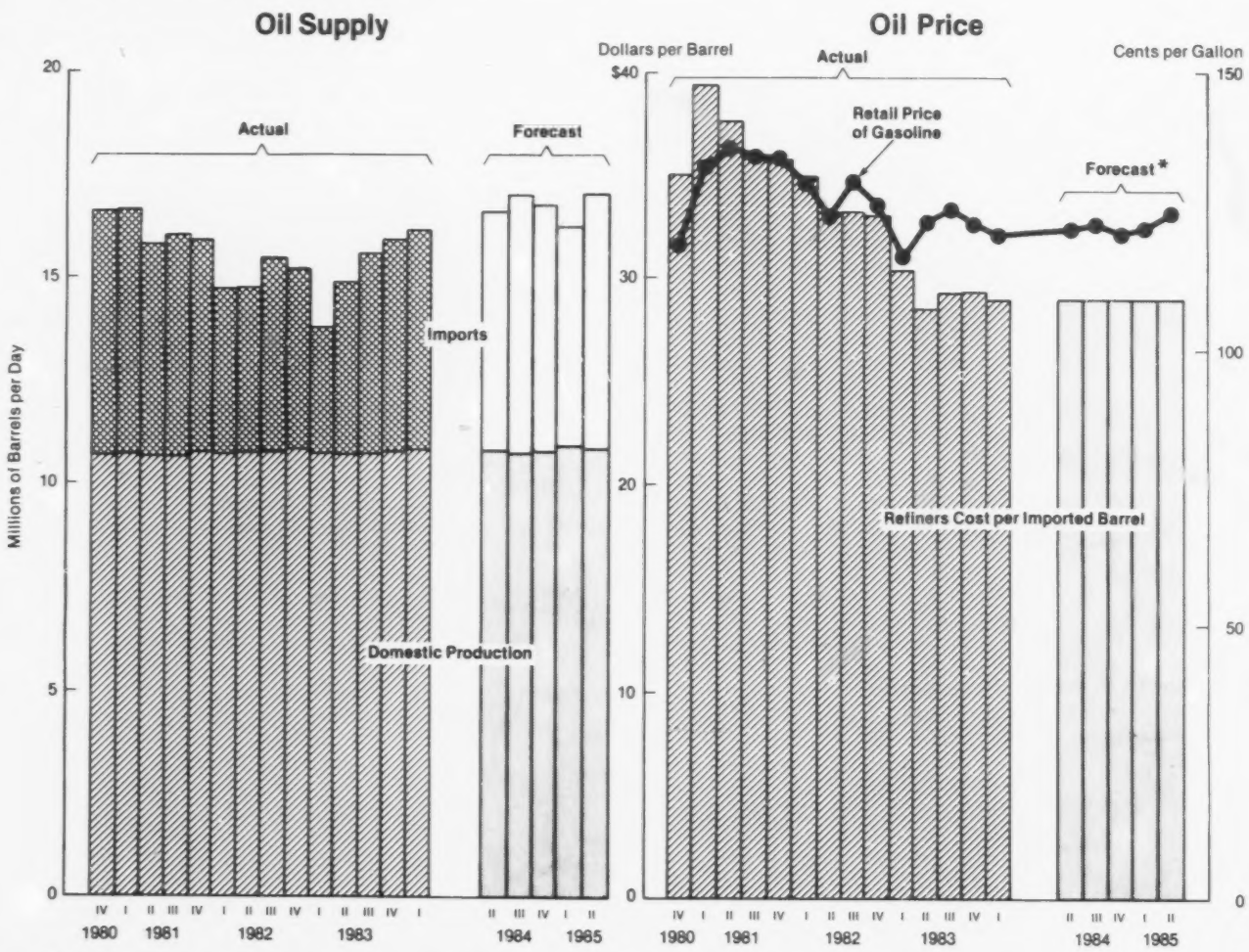
		1982			1983				Percent Change From Previous Year		
		II	III	IV	I	II	IIIr	IVp	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS											
New appropriations		20.025	18.439	21.488	20.176	20.633	22.200	25.071	-18	1	21
Capital expenditures		25.552	23.991	22.887	18.841	18.643	18.072	20.331	- 3	-23	23
Change in appropriations backlog*		-7.326	-8.726	-3.395	-0.716	+1.121	+1.008	+1.324			
Durable Goods											
New appropriations		7.398	7.724	8.238	8.197	9.453	8.843	11.447	-24	17	3
Capital expenditures		10.505	9.684	8.949	7.918	7.655	7.594	9.104	- 7	-19	20
Change in appropriations backlog*		-3.903	-4.556	-1.351	-0.606	+1.291	+0.929	+1.249			
Nondurable Goods											
New appropriations		12.627	11.215	13.250	11.979	11.180	13.357	13.624	-14	-9	34
Capital expenditures		15.047	14.307	13.938	10.923	10.988	10.478	11.227	0	-26	25
Change in appropriations backlog*		-3.423	-4.170	-2.044	-0.110	-0.170	+0.079	+0.075			
ELECTRIC & GAS UTILITIES											
New appropriations	(r)	8.795	10.624	9.939	7.664	6.713	5.771	7.202p			
Capital expenditures	(r)	8.846	8.905	9.384	9.041	9.292	9.043	8.349p			
Change in appropriations backlog*	(r)	-1.825	+0.504	-4.709	-4.812	-7.024	-3.925	-3.755p			

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

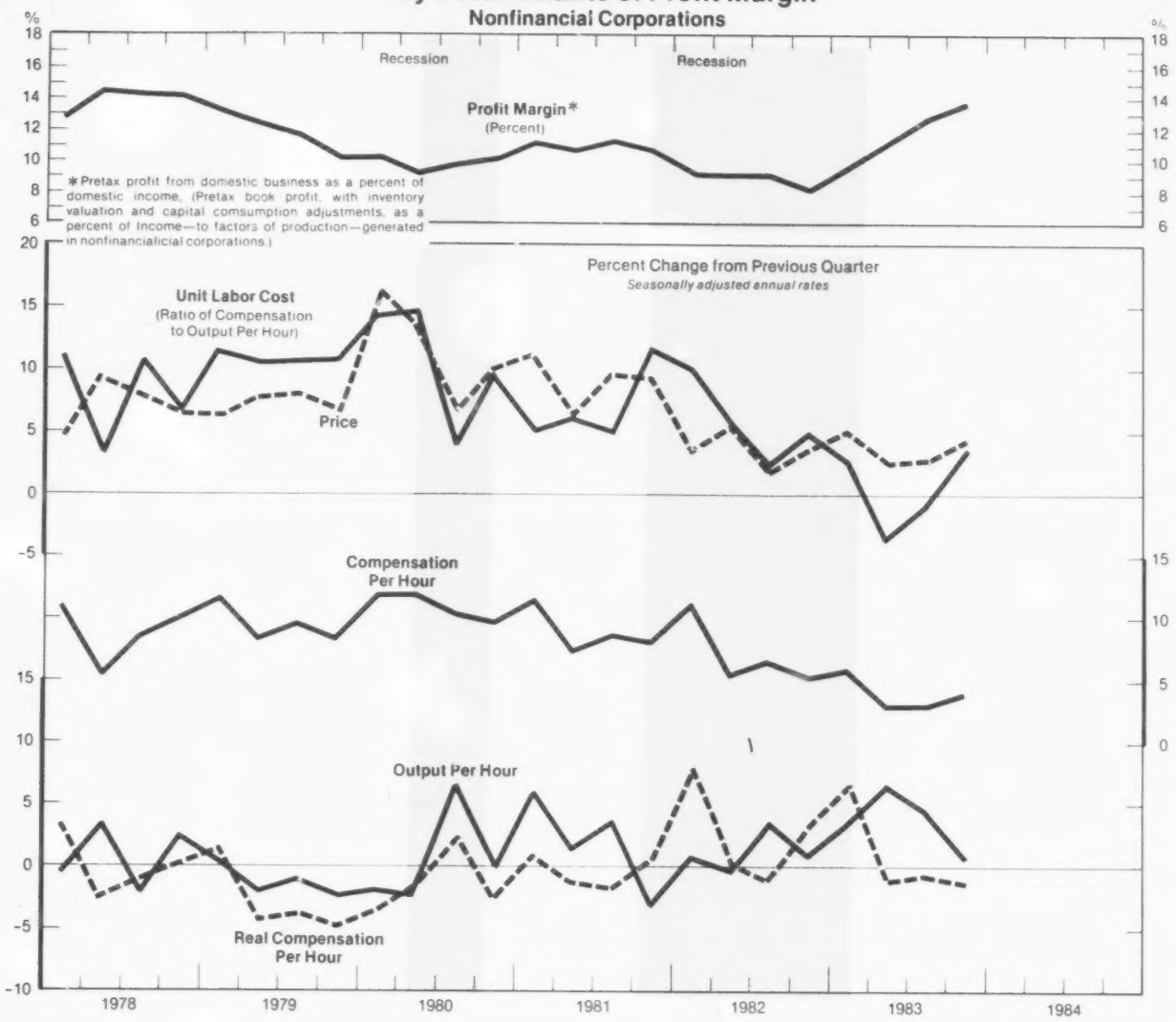
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

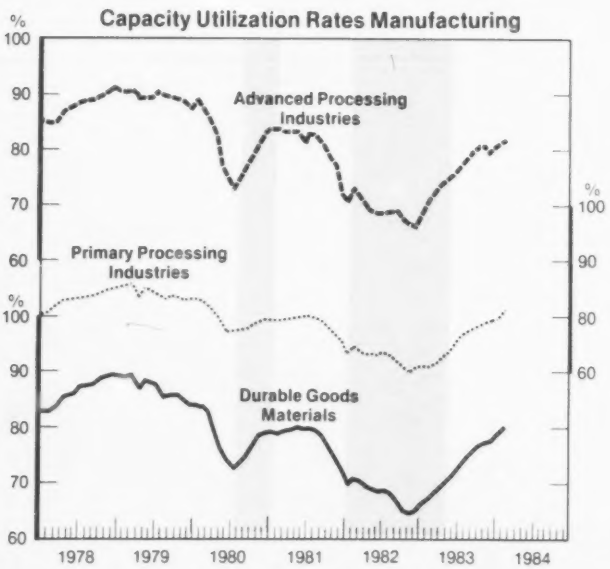
** Results based on survey respondents' expectations.



*Source: of Forecast is The Energy Information Administration; Department of Energy

Key Determinants of Profit Margin





ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Mar., 1984*		*Feb., 1984*		*Mar., 1984*		*Mar., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**IV**	**$3436.2**	**9.1%**			**$3436.2**	**9.1%**	**$3436.2**	**9.1%**
	1984	I	3543.0	13.0	$3528.0	11.0%	3538.2	12.4	3541.8	12.9
		II	3626.2	9.7	3606.7	9.2	3610.4	8.4	3624.9	9.7
		III	3713.9	10.0	3707.4	11.6	3688.3	8.9	3700.1	8.6
		IV	3800.2	9.6	3808.0	11.3	3771.6	9.3	3786.0	9.6
	1985	I	3886.4	9.4	3900.3	10.1	3860.5	9.8	3865.5	8.7
		II	3966.9	8.5	3991.2	9.7	3945.6	9.1	3944.5	8.4
		III	4046.1	8.2	4034.6	4.4	4031.7	9.0	4023.2	8.2
		IV	4124.8	8.0	4091.1	5.7	4118.7	8.9	4102.2	8.1
	1986	I	4201.9	7.7						
	1984	Annual	3670.8	10.9	3662.5	10.6	3652.1	10.3	3663.2	10.7
	1985	Annual	4006.1	9.1	4004.3	9.3	3989.1	9.2	3983.9	8.8
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**IV**	**$1572.5**	**5.0%**			**$1572.5**	**5.0%**	**$1572.5**	**5.0%**
	1984	I	1599.5	7.0	$1594.7	5.9%	1601.0	7.4	1602.3	7.8
		II	1617.5	4.6	1608.8	3.6	1619.0	4.6	1618.9	4.2
		III	1636.2	4.7	1630.8	5.6	1632.0	3.3	1630.5	2.9
		IV	1653.1	4.2	1651.5	5.2	1647.0	3.7	1645.0	3.6
	1985	I	1665.0	2.9	1665.5	3.4	1664.0	4.2	1657.2	3.0
		II	1675.7	2.6	1676.9	2.8	1679.0	3.7	1667.4	2.5
		III	1684.9	2.2	1670.8	-1.4	1694.0	3.6	1675.3	1.9
		IV	1692.4	1.8	1672.1	.3	1709.0	3.6	1681.5	1.5
	1986	I	1698.7	1.5						
	1984	Annual	1626.6	5.9	1621.5	5.6	1624.8	5.8	1624.2	5.8
	1985	Annual	1679.5	3.3	1671.3	3.1	1686.5	3.8	1670.3	2.8
Gross National Product deflator Index, 1972 = 100										
Actual	**1983**	**IV**	**218.5**	**3.9%**			**218.5**	**3.9%**	**218.5**	**3.9%**
	1984	I	221.5	5.6	221.2	4.8%	221.0	4.6	221.0	4.7
		II	224.2	4.9	224.2	5.4	223.0	3.7	223.9	5.3
		III	227.0	5.1	227.3	5.7	226.0	5.5	226.9	5.5
		IV	229.9	5.2	230.6	5.8	229.0	5.4	230.2	5.8
	1985	I	233.4	6.3	234.2	6.4	232.0	5.3	233.3	5.5
		II	236.7	5.8	238.0	6.7	235.0	5.3	236.6	5.8
		III	240.1	5.9	241.5	6.0	238.0	5.2	240.2	6.2
		IV	243.7	6.1	244.7	5.4	241.0	5.1	244.0	6.5
	1986	I	247.4	6.1						
	1984	Annual	225.6	4.7	225.8	4.7	224.7	4.3	225.5	4.6
	1985	Annual	238.5	5.7	239.6	6.1	236.5	5.2	238.5	5.8
Unemployment Rate										
Actual	**1983**	**IV**	**8.5%**		**8.5%**		**8.5%**		**8.5%**	
	1984	I	7.8		7.9		7.8		7.9	
		II	7.6		7.8		7.7		7.6	
		III	7.4		7.6		7.5		7.4	
		IV	7.2		7.4		7.4		7.3	
	1985	I	7.1		7.3		7.3		7.2	
		II	7.0		7.3		7.1		7.1	
		III	7.1		7.7		7.0		7.1	
		IV	7.1		8.0		6.9		7.2	
	1986	I	7.3							
	1984	Annual	7.5		7.7		7.6		7.6	
	1985	Annual	7.1		7.6		7.1		7.2	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised (first revision) fourth quarter data.

[2]Based on revised (second revision) fourth quarter data.

ECONOMIC FORECASTS (continued)

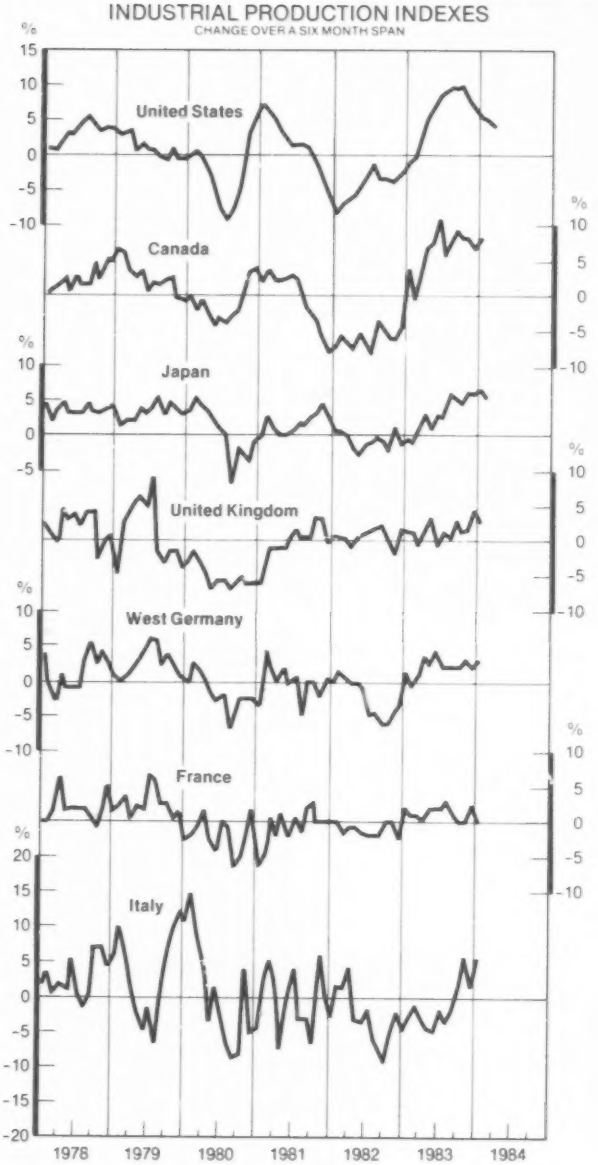
The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Feb., 1984		*Mar., 1984*		*Mar., 1984*		*Mar., 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$3436.2	**9.1%**	**$3436.2**	**9.1%**	**$3436.2**	**9.1%**	**IV**	**1983**	**Actual**
$3534.0	11.7%	3524.1	10.6	3538.0	12.4	3536.8	12.2	I	1984	
3627.0	10.9	3599.2	8.8	3613.1	8.8	3628.0	10.7	II		
3708.0	9.2	3681.6	9.5	3688.7	8.6	3718.9	10.4	III		
3784.0	8.5	3763.6	9.2	3754.3	7.3	3797.5	8.7	IV		
3860.0	8.3	3852.7	9.8	3826.5	7.9	3885.6	9.6	I	1985	
3916.0	5.9	3906.6	5.7	3893.4	7.2	3953.8	7.2	II		
4000.0	8.9	3984.7	8.2	3964.2	7.5	4029.3	7.9	III		
4107.0	11.1	4064.9	8.3	4046.4	8.6	4094.1	6.6	IV		
		4162.8	10.0	4129.0	8.4	4144.2	5.0	I	1986	
3663.3	10.6	3642.1	10.0	3648.5	10.2	3670.3	10.9	Annual	1984	
3970.8	8.4	3952.2	8.5	3932.6	7.8	3990.7	8.7	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
		$1572.5	**5.0%**	**$1572.5**	**5.0%**	**$1572.5**	**5.0%**	**IV**	**1983**	**Actual**
$1597.3	6.6%	1598.1	6.7	1600.5	7.3	1600.3	7.3	I	1984	
1617.4	5.1	1618.0	5.1	1616.3	4.0	1621.4	5.4	II		
1627.2	2.4	1635.3	4.3	1632.7	4.1	1641.0	4.9	III		
1635.3	2.0	1650.3	3.7	1644.2	2.8	1653.8	3.2	IV		
1643.5	2.0	1661.3	2.7	1653.6	2.3	1666.8	3.2	I	1985	
1643.5	0.0	1662.0	.2	1662.3	2.1	1673.1	1.5	II		
1655.7	3.0	1664.5	.6	1671.9	2.3	1680.9	1.9	III		
1676.5	5.1	1675.1	2.6	1683.5	2.8	1683.1	0.5	IV		
		1686.5	2.8	1694.7	2.7	1676.4	-1.6	I	1986	
1619.3	5.5	1625.4	5.9	1623.4	5.7	1629.1	6.1	Annual	1984	
1654.8	2.2	1665.7	2.5	1667.8	2.7	1676.0	2.9	Annual	1985	
								Gross National Product deflator Index, 1972 = 100		
		218.5	**3.9%**	**218.5**	**3.9%**	**218.5**	**3.9%**	**IV**	**1983**	**Actual**
221.2	4.8%	220.5	3.7	221.1	4.7	221.0	4.6	I	1984	
224.2	5.5	222.4	3.5	223.5	4.6	223.8	5.1	II		
227.9	6.6	225.1	4.9	225.9	4.3	226.6	5.2	III		
231.4	6.3	228.1	5.3	228.3	4.3	229.6	5.4	IV		
234.9	6.1	231.9	6.9	231.4	5.5	233.1	6.2	I	1985	
238.3	5.9	235.1	5.5	234.2	5.0	236.3	5.6	II		
241.6	5.7	239.4	7.6	237.1	5.0	239.7	5.9	III		
245.0	5.7	242.7	5.6	240.4	5.6	243.2	6.0	IV		
		246.8	7.0	243.6	5.6	247.2	6.7	I	1986	
226.2	4.9	224.0	3.9	224.7	4.2	225.3	4.5	Annual	1984	
239.9	6.1	237.3	5.9	235.8	4.9	238.1	5.7	Annual	1985	
								Unemployment Rate		
8.5%		**8.5%**		**8.5%**		**8.5%**		**IV**	**1983**	**Actual**
7.8		7.7		7.8		7.8		I	1984	
7.4		7.4		7.6		7.6		II		
7.3		7.2		7.4		7.4		III		
7.3		7.1		7.3		7.2		IV		
7.3		7.2		7.3		7.1		I	1985	
7.5		7.3		7.3		7.2		II		
7.4		7.7		7.4		7.2		III		
7.1		7.9		7.4		7.3		IV		
		7.8		7.5		7.4		I	1986	
7.5		7.4		7.5		7.5		Annual	1984	
7.3		7.5		7.4		7.2		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

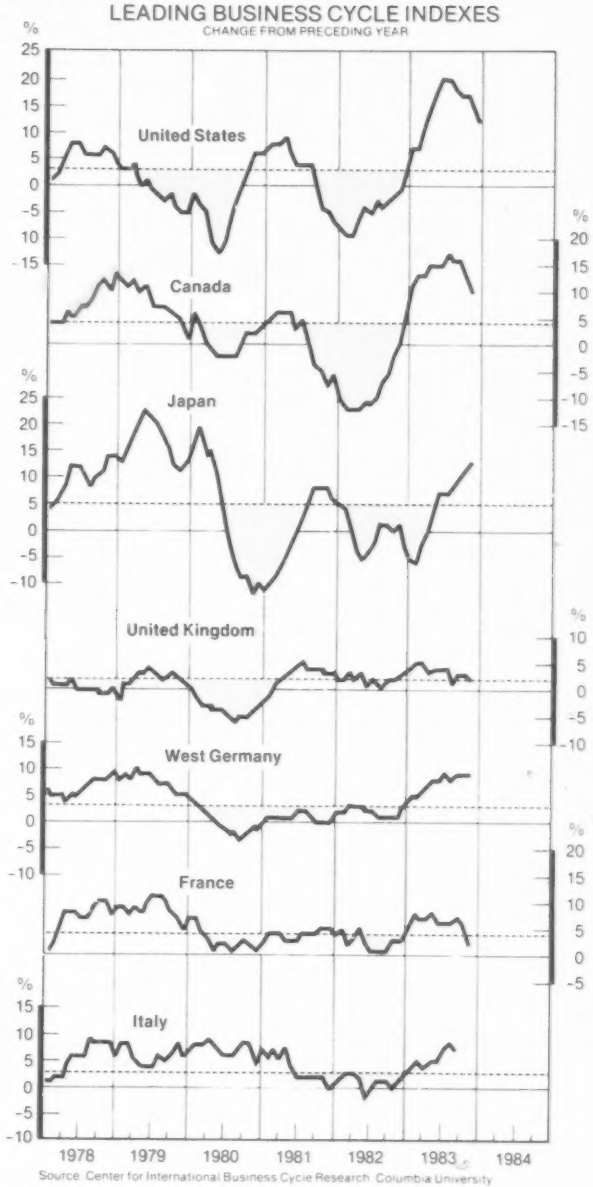
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



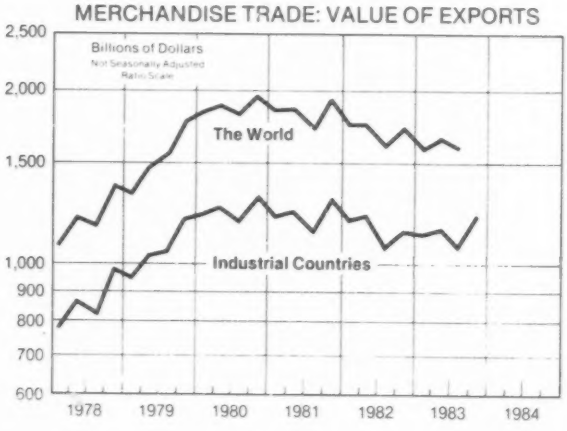
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

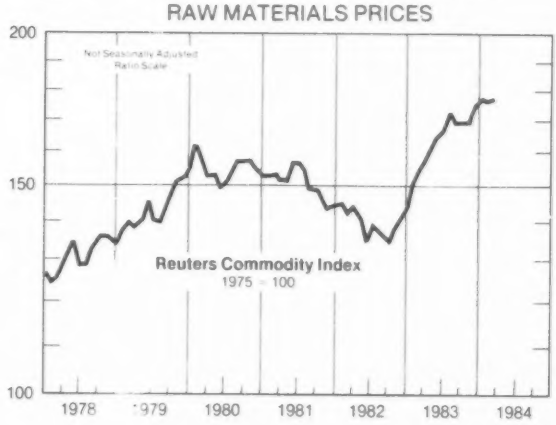


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

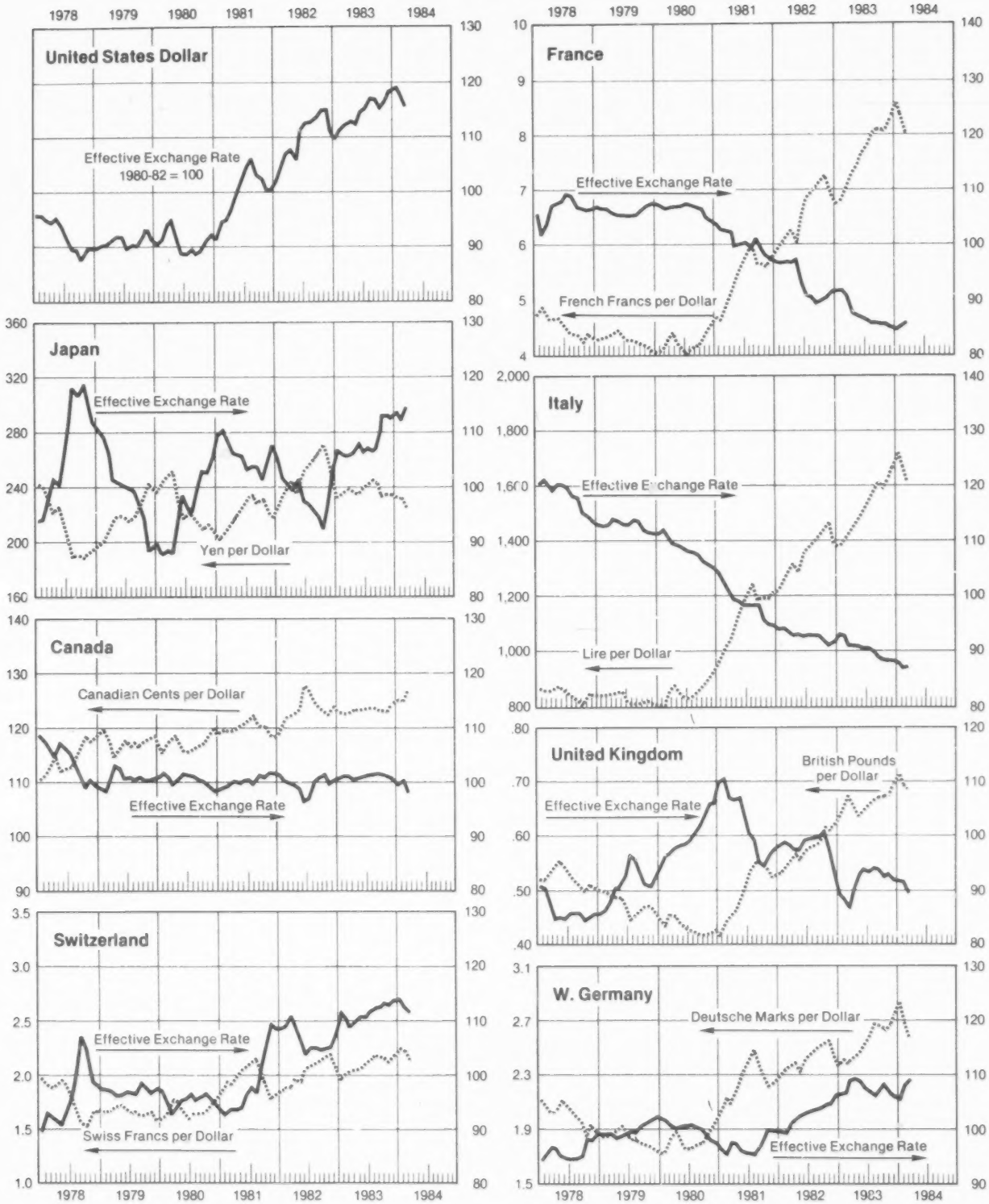


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



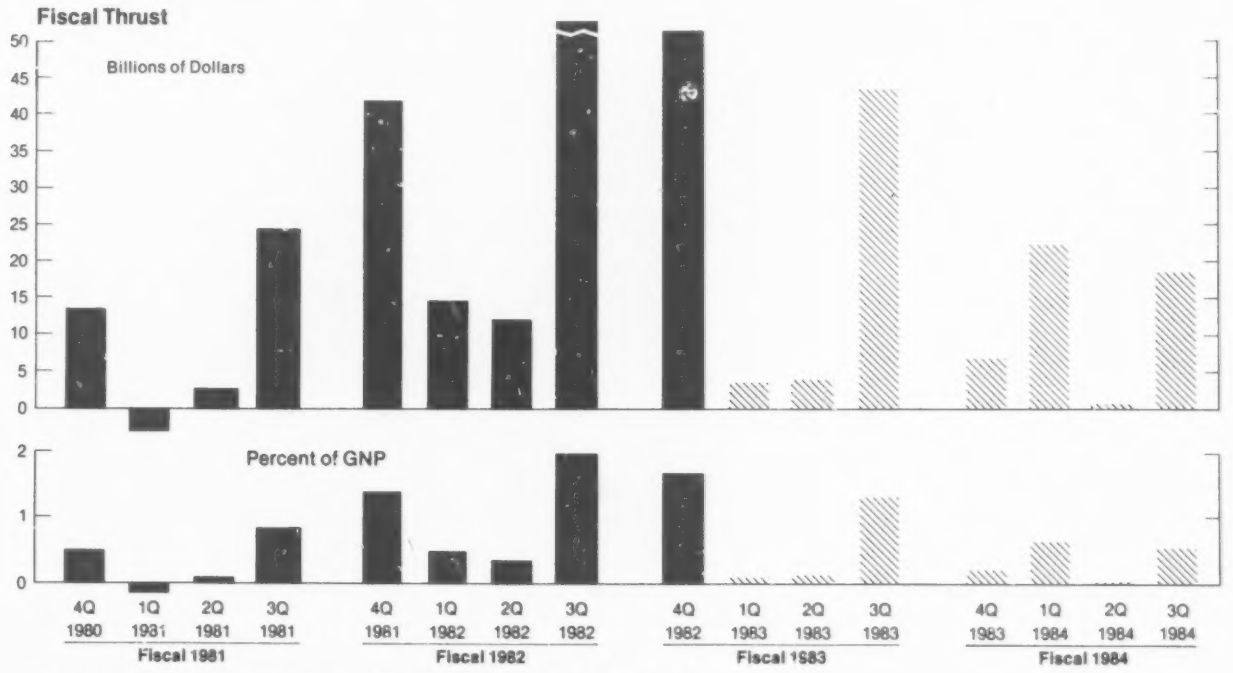
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual (2/1/84)	President's Proposal (2/1/84)	Congressional Estimate (2/7/84)	Current Service (2/1/84)	President's Proposal (2/1/84)	Congressional Estimate (2/7/84)
Receipts	**600.6**	**670.1**	**663**	**737.3**	**745.1**	**734**
Outlays	**796.0**	**853.8**	**853**	**944.9**	**925.5**	**927**
Deficit	**-195.0**	**-183.7**	**-190**	**-207.7**	**-180.4**	**-193**
Receipts by source	**600.6**	**670.1**	**663**	**737.3**	**745.1**	**734**
Individual income taxes	288.9	293.3	294	323.4	328.4	329
Corporate income taxes	37.0	66.6	62	75.5	76.5	65
Social insurance	209.0	239.5	237	269.0	270.7	269
Other receipts	65.7	70.7	70	69.4	69.5	71
Outlays by function	**796.0**	**853.8**	**835**	**944.9**	**925.5**	**927**
National defense	209.9	237.5	235	284.2	272.0	263
Social security and medicare	223.3	240.2	241	261.4	260.3	260
Income security	122.2	112.5	97	116.9	114.4	115
Health	28.7	30.7	31	34.4	32.9	34
Education and manpower	26.6	28.7	28	29.0	27.9	29
Transportation	21.4	26.1	27	27.4	27.1	27
Veterans' benefits	24.8	25.8	26	26.6	26.7	26
International affairs	9.0	13.5	11	14.1	17.5	12
National resources and environment	12.7	12.3	12	11.8	11.3	12
Agriculture	22.2	10.7	10	14.3	14.3	12
General science	7.7	8.3	8	8.4	8.8	9
Community development	6.9	7.6	8	7.7	7.6	8
Revenue sharing	6.5	6.7	7	6.8	6.7	7
General government	4.8	5.7	6	5.7	5.7	6
Justice	5.1	6.0	6	6.2	6.1	6
Energy	4.0	3.5	3	3.4	3.1	4
Commerce and housing credit	4.4	3.8	4	1.6	1.1	3
Interest	89.8	108.2	108	117.9	116.1	127
Allowances			1	1.5	0.9	1
Undistributed offsetting receipts	-34.0	-34.0	-16	-34.6	-35.3	-34

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3). The Conference Board: New York: 1980.